



**Centrální depozitář
cenných papírů**

UNIVYC SETTLEMENT SYSTEM RULES

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PART GENERAL

CHAPTER I GENERAL PROVISIONS

Article 1

Subject

1. Central Securities Depository Prague, with its registered office at Rybná 14, 110 05 Prague 1, ID No.: 25081489, is a joint-stock company entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 4308 (hereinafter the “**Central Depository**”).
2. The Central Depository acts as a central depository of dematerialised securities within the meaning of Art. 100 et seq. of Act No. 256/2004 Sb. on trading on the capital market (hereinafter the “**Capital Market Trading Act**”) and Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and on central securities depositories (hereinafter “**CSDR**”).
3. The Central Depository operates the settlement system with UNIVYC settlement finality (hereinafter the “**Settlement System**”) within the meaning of Art. 82 of the Capital Market Trading Act.
4. These UNIVYC Settlement System Rules of the Central Depository (hereinafter the “**Rules**”) regulates the settlement of trades involving dematerialised securities recorded in the Central Register of dematerialised securities or the Independent Register maintained by the Central Depository, the records of the central depository linked to the central records of the Short-Term Bond System maintained by the Czech National Bank, conditions of participation in the Settlement System, rights and obligations of participants in the Settlement System and other activities relating to settlement, as well as other requisites imposed on the Settlement System by legal regulations.
5. If these Rules use the term dematerialised security, the provision will also apply to bonds representing a share in collective bonds registered in the Independent Register of the Central Depository, in immobilised securities registered in the Central Register of the Central Depository or in investment instruments which cannot be considered dematerialised securities and which is registered in the Independent Register of the Central Depository, unless provided otherwise or unless it follows from the law or the nature of the provision that the provision can only apply to dematerialised securities.
6. Terms defined in the Rules will be used in related implementing regulations.

Article 2

Definitions

1. Exchange – Prague Stock Exchange
2. Exchange Day – a day on which trades are conducted at the Exchange.
3. Exchange trades – trades concluded in the trading system of the Exchange to which the guarantees of the CSD Clearing Fund apply.
4. CERTIS – a payment system with clearing finality operated by the Czech National Bank pursuant to the Payment System Act.
5. The CSD Clearing Fund – a pool of the resources of the Clearing Participants in order to secure the liabilities and cover the risks ensuing from the settlement of exchange trades.



6. Clearing Participant – a trading member responsible for unconditional fulfilment of obligations arising from the settlement of its exchange trades, or a settlement participant responsible for unconditional fulfilment of obligations arising from the settlement of exchange trades of a trading member that is not a Clearing Participant and that has concluded an agreement on the settlement of exchange trades with the participant.
7. Time Schedule – describes individual stages of settlement from the point of view of participants in the settlement, including business hours of accepting instructions for settlement; at the same time, it also contains the manner of arranging instructions for transfers of dematerialised securities within each individual settlement cycle. The Time Schedule forms Annex 1 hereto.
8. Net position – information for participants of settlement on the volume of financial means in payment instructions transferred to CERTIS or T2 after closed settlement cycles. Net position for currencies USD and GBP represents the amount of financial means to be paid on cash account of Central Depository or to be credited to participant.
9. CNB – the Czech National Bank overseeing the capital market pursuant to Act No. 15/1998 Sb., on Supervision of the Capital Market and the Modification and Amending of Other Acts, as amended.
10. Settlement cycle – the processing of allotments of dematerialised securities transfers from the Securities Centre and the posting of transfers of investment instruments. The timeframe of individual cycles and the possibility of clearing individual types of instructions are defined by the time schedule of settlement.
11. Allotment – a compact statement of transfers in electronic form.
12. SKD register - the central register of book-entry securities maintained within the Short-Term Bond System by the Czech National Bank.
13. Identifier – a unique identification number used by the Central Depository and determined in accordance with the rules stipulated by the Operating Manual.
14. Central Depository's website – www.cdcp.cz
15. MTF – Multilateral Trading Facility.
16. Non-Clearing Participant – a trading member that is not a Clearing Participant.
17. Civil Code – Act No. 89/2012 Sb., the Civil Code
18. Matching system – part of the settlement system for entering instructions to be settled, mutual reconciliation of the instructions and matching in the case of conformity of matching items.
19. Monetary limits of settlement – net positions of purchases and net positions of sales in particular settlement cycles.
20. Operating Manual – Operating Manual of the Central Depository
21. Transfer – registration of a change in the status of dematerialised securities on the Asset Account against a money transfer or without a money transfer.
22. PRN – registration number of the participant.
23. Settlement System – set of hardware, software, communication and organizational means which serve to match instructions, for the settlement of trades with dematerialised securities and investment instruments and for securing related activities.
24. T2 – payment system with settlement irrevocability in EUR currency operated by Eurosystem.
25. Accounting day – a day on which settlement processes are in progress in accordance with the time schedule. The accounting day begins at 5:45 pm on one settlement day and ends at



5:45 pm on the next settlement day. The Central Depository publishes the schedule of settlement days for different currencies in the Newsletter.

26. Newsletter – Newsletter of the Central Depository.

Article 3

Conditions of the commencement of participation in the Settlement System

1. The Settlement System Participant (hereinafter the “Participant”) may only be a person specified by Art. 84 (1) of the Act who has entered into a Participation Agreement with the Central Depository in the Settlement System and has fulfilled the requirements of these rules. There is no legal claim to participation in the Settlement System.

Article 4

Participation Agreement and its Annexes

1. Participation in the Settlement System is established by the Participation Agreement.
2. The participant who has entered into the Participation Agreement according to the previous paragraph agrees that relationships arising from participation in the Settlement System are governed by Czech law.
3. A draft Participation Agreement (hereinafter the “**Draft**”) can be downloaded in Czech and English from the Central Depository’s website. The Draft is also available in the central office of the Central Depository, during standard office hours.
4. The person requesting the signing of a Participation Agreement (hereinafter the “**Applicant**”) shall provide the Central Depository with the completed Draft and especially the following annexes:
 - a) Licence to conduct business, authorising the Applicant to become a Participant, unless such a licence has been submitted to the Central Depository before;
 - b) Copies of the proposals to make changes in the Commercial Register entries which have not been implemented in the Commercial Register as of the application date;
 - c) LEI identification number;
 - d) Specification of the correspondence address in the Czech Republic or in a country where the delivery of documents relating to the exercise of state supervision may be legally secured, if such an address differs from the address of the Applicant’s registered office.
5. The Applicant must satisfy the technical requirements within the meaning of the Central Depository’s specific regulations¹.
6. If the Applicant’s legal nature makes it impossible to submit some of the annexes specified in paragraph 4, the Applicant shall report this to the Central Depository. The Central Depository subsequently decides to submit replacement documents.
7. A legal entity with its registered office abroad is obliged to submit also an extract from the Commercial Register, meaning a public deed proving the legal status of the legal entity, with the specification of its registration, legal form and business name. If this document does not comprise address details, governing bodies or the authority to act on behalf of a foreign legal person, these facts need to be proven in another conclusive manner. If the governing body of a foreign legal entity is another legal entity, it is necessary to attach an extract from the Commercial Register or a similar public deed of the legal entity that is a governing body.

¹ *Participants’ communication connection to the Central Depository or the SWIFT Communication Manual*



8. The Applicant shall submit the annexes in the original or authenticated copies. Documents submitted in a language other than Czech, Slovak or English must be accompanied by a certificated translation into Czech.
9. The Central Depository is entitled to request the Applicant to submit additional information and documents, the submission of which will be deemed necessary for the purpose of signing the Participation Agreement. After submitting a participation application, the Central Depository will perform overall risk assessment, taking into account the risks referred to in Article 89 of Delegated Regulation (EU) 2017/392.
10. If the Applicant complies with all the requirements laid down by generally binding legal regulations and submits all annexes as defined in paragraph 4 or paragraph 9 of this Article necessary for the purpose of the Agreement signing, and the overall risk assessment does not justify a refusal to conclude the Agreement, the Central Depository will sign the Participation Agreement with this Applicant without undue delay.
11. If the Applicant fails to comply with all the requirements laid down by generally binding legal regulations, or fails to submit all annexes necessary for the purpose of the Agreement signing, the Central Depository will be entitled to refuse to sign the Participation Agreement with this Participant. The Central Depository shall be obliged to notify the Applicant of this fact without undue delay, stating the reasons for the rejection.

Article 5

Participant's Registration

The Central Depository shall allocate a participant registration number to each Participant (hereinafter “**PRN**”), which the Participant shall use as a reference in all communication with the Central Depository. Participant is not obliged state PRN in communication via SWIFT.

Article 6

Main Participants

1. In accordance with CSDR and the internal methodology, the Central Depository shall identify the main participants of the Settlement System.
2. The Central Depository shall assess the criteria for the identification of the main participants for the preceding calendar year during January. In the event of major changes in the market, the Central Depository may announce a change in the list of main participants also during the calendar year.
3. The Central Depository shall set additional requirements for the main participants so that the main participant is obliged to
 - a) Have sufficient operational capacity and provide the Central Depository with its organisational structure and a statement on the creation of operational conditions for proper performance of activities and provision of services;
 - b) Have a functional operational risk management system and demonstrate the system to the Central Depository by providing a statement on the creation of an efficient operational risk management system and on the compliance with risk management requirements arising from applicable legal regulations or these Settlement Rules, by notifying the person responsible for the risk management system and demonstrating the person's professional competence in the field of risk management, and by notifying whether the risk management system has been internally audited and, if so, indicating the year of the last audit;
 - c) Have a system for resolving conflicts of interest and demonstrate the system to the Central Depository by providing a statement on the establishment of procedures for detecting, assessing and resolving conflicts of interest that could potentially lead to damage or unjustified advantage of clients;



- d) Have a system for securing business continuity and demonstrate the system to the Central Depository by providing a statement on the approval and introduction of continuity plans, indicating the exact name of the Participant's regulation, by submitting a list of crisis scenarios covered in applicable continuity plans, and by notifying whether the business continuity plans have been internally audited and, if so, indicating the year of the last audit;
 - e) Undergo testing and provide the name of the person responsible for the coordination of testing with CSD Prague.
4. The list of main participants is not public.

Article 7

Rights and Obligations of Participants

1. The Participant's rights and obligations are set forth by the Capital Market Trading Act, CSDR and other generally binding legal regulations, the Participation Agreement and the Central Depository's rules.
2. The Participant is entitled to make use of the Central Depository's services to the extent and under the terms and conditions laid down in the Participation Agreement and the Central Depository's rules, for consideration set in the Price List, unless otherwise stipulated in the Central Depository's rules or the Participation Agreement.
3. The Participant must during the existence of the participation arrange for correspondence to be collected at the notified address.
4. The Central Depository is entitled to request the Participant to submit information and background data proving the fulfilment of the aforementioned obligations by the Participant, and the Participant is obliged to submit such information and background data.
5. In the case of DVP settlement, the Participant who is not the clearing bank for particular settlement currency, is obliged to have secured contractually financial clearance of trades in investment instruments by means of any of the clearing banks that provides for clearing in this currency. Without secured financial clearance, the Participant is not allowed to put instructions for settlement with transfer of cash in this currency. In case of currencies for which Central Depository does not use settlement on accounts in a central bank, particularly USD and GBP, it is not necessary to have secured contractually a clearing bank.
6. The Participant must fulfil the conditions of participation for the entire period of its participation in the Settlement System.
7. At the Central Depository's request, the Participant is obliged to provide additional information regarding its risk management, including relevant information on its customers, in the scope required by CSDR and related regulations. The Central Depository may request the Participants to mandatorily participate in the business continuity and disaster recovery testing.
8. The participant is entitled to use the services of the Settlement System to the extent and under the conditions mentioned herein and in special regulations of the Central Depository.
9. During the activities described in the previous paragraph, only persons who have been duly authorized to act with the Central Depository may act on behalf of the participant.
10. All data the participant is obliged to present to the Central Depository in accordance with this regulation are confidential and may be used only for the purpose of participation in the Settlement System; this does not affect the obligation of the Central Depository to provide information under Art. 115 of the Act. Confidential information is not information that the Central Depository is entitled to publish in the Newsletter on the basis of a Participation Agreement.



Article 8

Participant's Obligation to Inform

1. The Participant is obliged to inform the Central Depository in writing about all changes to the data contained in the Participation Agreement and the annexes referred to in Article 4.
2. The participant shall also be obliged to notify the Central Depository in writing of facts that may affect the performance of the Participant's activities. Such a fact is in particular the failure of the Participant (hereinafter referred to as "**failure**"), which shall mean in particular:
 - a) the commencement of proceedings relating to a cancellation of a licence to carry on activities by a person that may become a Participant pursuant to the provisions of Art. 84 of the Capital Market Trading Act,
 - b) the initiation of insolvency proceedings or commencement of forced administration against the Participant,
 - c) the initiation of similar proceedings against the Participant under foreign law within the meaning of Article 2(j) of Directive 98/26/EC.
3. The Participant shall also inform the Central Depository of other financial or operational failures that may result in the suspension or restriction of transfers of book-entry securities or money. An operational failure is a situation where the Participant is unable to fulfil its obligations due to an operational problem, in particular an IT system failure.
4. The participant shall also inform the Central Depository if there is already a reasonable expectation that there is a heightened risk of participant failure. The Participant shall also fulfil other notification obligations towards the CSD in accordance with generally binding legislation.
5. The Participant shall send the details subject to the obligation to inform with a guaranteed electronic signature, to the Central Depository's data box, fax, or in simple electronic form, without delay, but no later than one day after becoming aware of them. Simple electronic communication must be subsequently confirmed by qualified delivering according to first sentence or by using a postal service provider or in person.

Article 9

Participant failure and Central Depository's Measures

1. In the event of receiving a notification of failure from the Participant or from another reliable source, in particular from a securities market organiser or a linked CSD, the Central Depository shall verify this fact and forward the information from the notification to the Czech National Bank without undue delay.
2. In particular, the Central Depository shall add the following information to the information transmitted to the Czech National Bank pursuant to paragraph 1 without delay:
 - a) the type of participant with details of its legal status, the type of authorisation, the scope of activities in the Central Depository and whether it is a main participant,
 - b) the volume and value of the Participant's orders entered into settlement and, if possible, an indication of those orders that may be unsettled. The value shall be calculated on the default date in accordance with Article 42(2) of EU Implementing Regulation 2017/392;
 - c) the type of transfers and the type of book-entry securities to which the settlement orders relate (Articles 54(2)(b) and 42(1)(d)(i) of Implementing Regulation 2017/392),
 - d) information on the cross-border activities of the Participant, if available,
 - e) the number of clients of the Participant, if known to the Central Depository,
 - f) information on significant default risks.



3. In the event of a failure or other breach of the Participant's obligations under the Participation agreement or these rules, the Central Depository may take the following measures against the Participant:
 - a) The suspension of the authorisation to participate in certain activities of the Central Depository,
 - b) The suspension of access to the matching system,
 - c) The suspension of the participation,
 - d) The cancellation of participation.
4. The Central Depository shall adopt stricter measures against the Participant if any of the less strict measures is insufficient in order to achieve the intended goal. In the enforcement of sanctions, the Central Depository will be guided by the principle of adequacy.
5. The Central Depository shall suspend or cancel the participation in the Central Depository immediately after the Central Depository discovers that a Participant does not comply with the provisions of Art. 84 of the Capital Market Trading Act.
6. The Central Depository is authorised to suspend the authorisation to participate in certain activities of the Central Depository or to suspend the participation for the period of time necessary to remedy any deficiencies in the Participant's activities, not longer than for one year.
7. Imposing such measures shall not affect the Participant's obligation to comply with the obligations arising from the Capital Market Trading Act, CSDR, the Participation Agreement or the Central Depository's rules.
8. The Central Depository may impose the measures provided for in paragraph 1 (c) and (d) also if the Participant breaches any obligations arising from the Participation Agreement or the Central Depository's rules, thus seriously threatening the activities of the Central Depository, another participant, or the Participant's clients, other participants or their clients incur damage as a consequence of such a breach.
9. In principle, a crisis of the Participant shall not justify the application of the measure referred to in paragraph 6, provided that the Participant continues to fulfil its participation obligations. An intention to apply a measure against failing entity obliged in the meaning of s. 3 of the act No. 374/2015 Coll., on recovery procedures and dealing crises on financial market („ZOPRK“), resp. Art. 1 (1) BRRD, shall be discussed by Central Depository and Czech National Bank, in particular with respect to impact of such measure on implementation of instruments and authority according to ZOPRK. Central Depository is entitled to decide about suspension in case that Czech National Bank does not provide to Central Depository a binding opinion in a term stated in the notification of an intention to suspend participation and participation may jeopardise the safe and orderly conduct of the Central Depository's business.
10. The Central Depository shall provide the necessary resolution assistance to the Participant, the successor firm and the competent resolution authorities to ensure the continuity of critical activities and the transfer of the securities of the Participant's clients.
11. The Central Depository shall regularly test and review its failure procedures and shall do so in the event of a material change in procedures or at the request of the Czech National Bank. Participants shall be required to participate in the testing and to remedy any deficiencies identified within a reasonable period of time. The Central Depository shall carry out the testing with the relevant Participants, regulated market operators or other relevant entities, as appropriate, to whom it shall give sufficient notice of the testing. The testing shall include, in particular, simulation exercises and a communication test.



Article 10

Authorisation to Impose Measures

1. The application of measures, including the determination of the effectiveness of measures shall be determined by the Board of Directors of the Central Depository, unless otherwise stipulated hereunder.
2. The measures according to Article 9 (1) (b) may also under urgent circumstances be applied by the Chief Executive Officer of the Central Depository, who shall immediately inform the Board of Directors about such fact. The proceedings initiated by the Chief Executive Officer shall not be subject to the provisions of the following article.

Article 11

Procedure for Imposing Measures

1. The procedure for the application of a measure (hereinafter the “**proceedings**”) is commenced upon the delivery of written communication to the Participant.
2. The written communication according to paragraph 1 shall include the following:
 - a) The specification of the reasons for which the proceedings have been initiated,
 - b) The measures that may be applied against the Participant or which has already been adopted for reasons of urgency,
 - c) The request asking the Participant to submit a comment during the period set for the commencement of the proceedings and to provide all details significant for the proceedings.
3. The time limit referred to in paragraph 2 (c) shall be at least one week.
4. The Central Depository is authorized to ask the Participant to clarify all the circumstances that are causally related to the subject of the proceedings.
5. For management needs, the Central Depository is entitled to request information, documents or other materials from the Participant that could help determine the true state of affairs. The Participant is authorized to submit comments regarding such background data and all circumstances that are causally related to the subject of the proceedings.
6. The Central Depository shall decide to apply a measure without undue delay following the Participant’s statement and shall deliver the decision to the Participant in accordance with paragraph 1. The decision on the application of a measure also includes a justification of the Central Depository’s decision and the specification of the effective date of the measure, which shall also be the deadline for the remedy of the deficiencies. The decision regarding a measure may also be published in the Central Depository’s Newsletter and on the Central Depository’s website. The decision to cancel the participation may be published on the basis of an appeal decision, if an appeal is filed, or following the expiry of the deadline for filing an appeal.

Article 12

Appeal

1. An appeal may be filed with the supervisory board of the Central Depository against a decision imposing a measure, within 15 calendar days of the delivery thereof to the Participant.
2. Appeals shall only have a suspensive effect if filed against a decision to cancel the participation.
3. A decision regarding an appeal will be issued by the Supervisory Board of the Central Depository, without undue delay, though not later than within 30 days following the date of the receipt of the appeal. The decision regarding an appeal is final. The decision of the Supervisory Board shall be without prejudice to the right to seek compensation for damage in court.



Article 13

Participant's Responsibilities upon Suspension of Participation

1. As of the day on which the resolution on the suspension of participation or on the cancellation of participation takes effect, the participant forfeits the right to use the Settlement System to which he is entitled according to these Rules, unless the resolution states otherwise.
2. The Participant may only give instructions to the Central Depository:
 - a) For the transfer of dematerialised securities between two accounts of the same owner, from which the transferee's account is opened by the Central Depository on the basis of another participant's instruction;
 - b) For free transfer, on the condition that the transferee has an account set up with the Central Depository on the basis of another participant's instruction;
 - c) For the passage of dematerialised securities, on the condition that the transferee has an account set up with the Central Depository on the basis of another participant's instruction;
 - d) Dispositions of dematerialised securities in connection with implementation of measures according to ZOPRK.
3. The Participant whose participation has been suspended by the Central Depository shall notify all the account owners with whom the Participant has entered into the contractual relationship of this fact immediately. If the account owners express their intention to terminate the contractual relationship with the Participant, the Participant will invite them to enter into a contractual relationship with the other Participant and, based on their instruction, transfer the dematerialised securities to the account opened by the Central Depository based on the instruction of another participant. The termination of a contractual relationship shall not affect the rights and obligations arising from such relationship.
4. In the case of the participant's failure, the Central Depository will perform the following activities with respect to a transfer in which the participant is at least on one side:
 - a) In accordance with rules of instruction irrevocability, the Central Depository shall settle the participant's instructions entered in the Settlement System before the time at which it became aware of that fact;
 - b) The Central Depository shall suspend the settlement of exchange trades whose settlement time has not been reached and will secure a substitute manner of settlement for these trades in compliance with these rules,
 - c) the Central Depository shall suspend the settlement of all OTC trades that have not been entered yet in the Settlement System or their settlement time has not been reached,
 - d) The Central Depository shall cancel the option of this participant to return lent dematerialised securities, and shall secure their returning to the lender by their substitute purchase according to the rules of loaning.
5. The Central Depository will immediately inform the Exchange and all participants in the Settlement System (including linked CSDs), the Czech National Bank and ESMA of the situation arising according to the previous paragraphs and of imposed measures.

Article 14

Termination of Participation and Participants' Obligations upon Termination of Participation

1. The participation shall cease to exist as of the date of the Participation Agreement termination.
2. The Participation Agreement may be terminated for the following reasons:
 - a) The Participant's own request;



- b) breach of the Participant's obligations under the Participation Agreement or the Operating Manual, as a consequence of which the Central Depository is authorized to cancel the participation;
 - c) Loss of eligibility to be a participant.
3. The Participation Agreement shall cease to be effective on the date specified in the request according to paragraph 2 (a), not earlier than 30 calendar days following the delivery of the Participant's request for the cancellation of the participation in the Central Depository, or on the date specified in the decision regarding the cancellation of the participation according to paragraph 2 (b), or on the date specified in the decision regarding the cancellation of the participation upon the loss of eligibility according to paragraph 2 (c). The Central Depository shall publish the information regarding the cancellation of participation in the Newsletter and on the Central Depository's website.
4. The Participant whose Participation Agreement is terminated for whatever reason shall immediately inform all owners of accounts, in writing, with whom a contractual relationship has been established, and end their contractual relationships and invite them to enter into an agreement with another participant. Such Participant shall no longer be entitled to submit instructions to the Central Depository. The termination of the Participation Agreement shall not affect the rights and responsibilities arising from such contractual relationship.
5. The Central Depository will carry out the following operations on the basis of an instruction submitted by an authorised person on the account of an owner who has terminated a contractual relationship with the Participant due to the termination of participation or where the Participant requested the termination of the participation or where the participation has been terminated according to the previous paragraph:
- a) The transfer of dematerialised securities from the asset account to the Participant with whom the account owner has entered into a new contractual relationship;
 - b) The free transfer, on the condition that the transferor has agreed with this and the transferee has an account set up with the Central Depository on the basis of another participant's instruction;
 - c) The passage of dematerialised securities, on the condition that the transferee has an account set up with the Central Depository on the basis of another participant's instruction;
 - d) The registration of the right of lien based on a decision of a public authority or any SDR, except for a SDR in accordance with Art. 97 (1) (e) of the Capital Market Trading Act;
 - e) The entry of changes in the issue records, on the basis of the issuer's request;
 - f) The transfer of dematerialised securities in order to exercise a right of lien in accordance with a special legal regulation.²
6. The Participant whose Participation Agreement has been terminated or who has requested the cancellation of participation and for whom a customer account has been opened (where the Participant is the account owner) is obliged to request the owners of dematerialised securities maintained in the follow-up records to open owner's accounts in the Central Depository records or in a follow-up records.
7. The Participant whose Participation Agreement has been terminated or who requested termination of participation and who submitted an instruction for the opening of customer accounts owned by persons other than the Participant shall terminate the existing contractual relationship and request the customer account owner to enter into a new contractual relationship with another participant.

² Art. 1359 et seq. of the Civil Code



8. Until the time a new contractual relationship is concluded, the Central Depository shall only carry out the following operations on the customer account:
 - a) The transfer of the account to the Participant with whom the customer account owner has entered into a new contractual relationship;
 - b) The entry of changes in the issue records, on the basis of the issuer's request.

Article 15

Clearing bank

1. The clearing bank is a bank participant or a bank that has made an agreement on providing services of a clearing bank to participants of Central Depository. Clearing bank is involved in the clearing of trades for itself or for other participants via CERTIS or T2.
2. In case of clearing of financial means arising from trades involving investment instruments in CZK, the clearing bank will approve the debiting of its account in CERTIS based on the instructions from the Central Depository, in the form of third-party instructions, by using the document, a sample of which is attached as an annex hereto (Annex 3). In case of clearing trades in EUR involving investment instruments, the clearing bank will approve the debiting of its account in T2 by using the form of T2. With approval of Central Depository, clearing bank may use an account in T2 belonging to another bank from the same bank group (Annex 11).
3. The clearing bank is only entitled to modify or cancel the approval under paragraph 2 if it and the participants for whom it arranges the settlement of trades have fulfilled their obligations arising from these trades. The liability arising from the previous sentence shall be confirmed by the clearing bank in its declaration for the Central Depository; the form for this purpose is an annex hereto (for CZK Annex 4 and for EUR Annex 9).
4. If the Clearing Bank concludes an agreement on the provision of clearing bank services with a non-banking participant of the Central Depository, the Clearing Bank will authorise the Central Depository to debit its clearing account by completing a statement, the template of which forms an annex to these Rules (for CZK Annex 5 and for EUR Annex 10).

Article 16

Fees

The fees for the settlement and other services are regulated by the Central Depository Price List and the List of Tariffs for the Settlement of Material Costs (hereinafter the “**Price List**”).

Article 17

Links of Central Depositories and Access of Market Infrastructures

1. As part of operational risk management, the Central Depository shall define special requirements for the links of central depositories and access of trading venues and other market infrastructures.
2. When establishing the link of central depositories, the Central Depository shall proceed mainly in accordance with Article 52 of CSDR and Article 84 of Delegated Regulation (EU) 2017/392.
3. If the access to the Central Depository's Settlement System is requested by other market infrastructures, the applicant and the Central Depository shall proceed pursuant to Article 53 of CSDR and Articles 88 and 89 of Delegated Regulation (EU) 2017/392. Entities requiring the link are obliged to meet the requirements set for the main participants. In addition, they are obliged to provide the Central Depository with information on the providers of critical services.
4. Terms and conditions for the links of central depositories and access of market infrastructures shall be regulated by a separate agreement.



Article 18

Settlement System risks

1. The Settlement System may be exposed to system risk, operational risk, liquidity risk and, possibly, credit risk. The Central Depository regularly monitors, measures and evaluates these risks. Following the identification and evaluation of risks, the Central Depository adopts measures to effectively eliminate the risks, minimize negative impacts on other participants, or remedy the defective condition and penalize the offenders, if any.
2. In order to eliminate or minimize the risks associated with settlement, the Central Depository has created a system of inspection and measurement as an independent third party that manages and supervises the settlement process.
3. Operational risks are minimized in the Central Depository, especially by using the following means and measures:
 - a) Strictly limiting staff access to the rooms of the main and backup IT centre, with the use of an electronic security system, and granting access to only a limited number of employees.
 - b) Ensuring the security of buildings where the main and backup IT centre is located.
 - c) Placing the main and backup IT centre in physically separated locations.
 - d) The existence of alternative power sources.
 - e) Purchasing reliable technology exclusively from reputable vendors.
 - f) The connection of the main and backup computer using MIMIX, which enables the database of these computers to be updated in real time, i.e. during a business day.
 - g) The duplicate storing of data on discs (“disk mirroring”).
 - h) Regular database archiving.
 - i) Regular auditing of the information system.
 - j) Use of journaling mechanisms, i.e. the creation and keeping of reports regarding the access to individual systems and changes in the database.
 - k) Checking the access rights to systems from the perspective of end users (so-called profiles).
 - l) The automated processing of tasks using auto-control procedures which highlight the unfinished processes or non-standard situations, significantly reducing the need for operator interventions and hence the human error factor.
 - m) Through the Central Depository participants who compare their own records with listings of account balances, statements of accounts and statements the transfers of owners.
 - n) Input inspection of all instructions for settlement and related documents accepted for processing; new instructions filed in an electronic form pass through an automatic database inspection of the existing data in order to eliminate incomplete or incorrect instructions from the processing.
 - o) Output check preceding the handover of output data to participants.
 - p) Inspection by the customer account owners who also make use of the statements of account balances and transfers to check the conformity of the total number of dematerialised securities according to ISIN/SIN on asset accounts held in its own records and the status of the customer account as of the day closing.
 - q) Daily checksums regarding the number of dematerialised securities of a given issue maintained on asset accounts and the total number of dematerialised securities issued in the Central Depository.



4. The Central Depository is not a central counterparty and is therefore not exposed to the credit risk of settlement participants. The following are the basic tools to reduce settlement risks and therefore reduce liquidity and credit risks:
 - a) The determination of the rights and responsibilities of Settlement System participants based on these rules.
 - b) The finality of settlement and the DVP principle.
 - c) Ongoing evaluation of counterparty risk.
 - d) The management of the system of material guarantees.
 - e) Procedures in the case of the failure of a settlement participant.
 - f) Communication with clearing banks.
 - g) Determination of fees in the event of participants non-compliance.
 - h) Separate accounting for entrusted funds and investment instruments.
5. System risks are reduced thanks to the Settlement System's participation principle. Settlement system participants can only be entities licensed and supervised by the Czech National Bank or by another European regulator who employs instruments to prevent the collapse of the financial system or market. Strict adherence to the participation principle, and strict selection of persons satisfying the criteria for compliance with statutory requirements or the requirements of these rules, including the technical and disclosure duties, thus reducing system risk.
6. The irrevocability of an instruction for settlement is complemented by the security of the settlement of trades in the form of transfers on auxiliary technical subaccounts. Thanks to this procedure, the transfers of dematerialised securities and money will be finite, irrevocable and conditional. The conditionality means that no transfer of money will take place without the transfer of dematerialised securities and vice versa. Money transfers will only apply to those dematerialised securities that are available without restrictions for settlement. If a lack of funds is identified, the dematerialised securities will return back from the technical subaccount to the seller's account.
7. The continuous evaluation of counterparty risk is used for the settlement of exchange trades, and serves as the basis for the calculation of the contributions to the CSD Clearing Fund or the amount of collateral in the provided dematerialised securities loans. The evaluation of counterparty risk is based on the measurement of the risk arising from exchange rate differences in individual trades, compared with the closing exchange rate for the given trading day and the evaluation of the potential risk based on models for future exchange rate differences. The calculation of the contributions to the CSD Clearing Fund thus reflects the risk of future exchange rate differences and the risk of the participant's overall open position. The calculation of the collateral required to secure the loans of dematerialised securities has been derived from the long-term monitoring of foreign exchange rate differences in the shares represented in the loaning system. Upon the execution of the substitute purchasing of non-returned dematerialised securities, the Central Depository will make use of the deposited collateral. The amount of the collateral is recalculated on a daily basis, depending on the new exchange rate, and the collateral is deposited by the participants to the Central Depository's account, so it is immediately available as needed.
8. The Central Depository's activities related to risk management include the administration of the system of material guarantees. Not only is the Central Depository authorized to make use of the guarantee instruments, but the Central Depository also manages the guarantee funds in accordance with pre-defined rules. Thus, it may affect the form of the funds managed according to liquidity needs, and use them without delay after an infringement by any participant is detected. The Central Depository has developed internal procedures for various cases of participant failure or other emergencies. The evaluation and proposal of a procedure in the



event of a crisis fall into the scope of authority of Risk Management and Development Department.

9. The credit risk is limited by the financial settlement of trades via payment systems CERTIS and T2. Non-banking settlement participants make use of the services of clearing banks for the purpose of financial settlement. Thanks to the daily communication of the Central Depository with clearing banks and the sharing of information regarding the participant's financial position with the bank, clearing banks are able to timely detect the participant's deteriorating financial situation and notify the Central Depository of the risk of the future default in payments.
10. The penalty charges imposed by the Central Depository upon the participant's non-compliance are an effective tool in motivating participants to properly fulfil their duties. The Central Depository shall ensure that increased fees are effectively motivating, but that they are not prohibitive for participants.
11. In accordance with the law, the Central Depository shall separate its own resources from the resources entrusted to the Central Depository by participants for the purpose of trade settlement. Separate accounts especially include the resources of guarantee funds, warranty funds of market makers or collateral deposited by the borrowers in the loaning system.

CHAPTER II SETTLEMENT OF TRADES

Article 19 Instruction for settlement and its requisites

1. Into the Settlement System:
 - a) Matched instructions for settlement of closed trades are entered by another trading venue or central counterparty based on an agreement on the Exchange's access to the Central Depository,
 - b) The Participants enter the instructions for matching and settlement of closed OTC trades,
 - c) The Participants enter one-way non-matching instructions for online transfers only in the DFP form. These instructions may be put into settlement for transfers between asset accounts opened by the instruction of one participant or for transfers from unintegrated register.
2. The instructions for settlement are handed over to the settlement system by means of data communication pursuant to a special regulation³ or on the basis of a special agreement.
3. The instruction for settlement under paragraph 1 (b) must contain:
 - a) ISIN of dematerialised securities,
 - b) Counterparty Identification,
 - c) The number of dematerialised securities,
 - d) The agreed price for one security or agreed volume of trade,
 - e) Instruction direction (purchase or sale),
 - f) intended settlement date (ISD),
 - g) trade date,
 - h) type of instruction,
 - i) type of trade,

³ Participant's communication connection to the Central Securities Depository or the SWIFT Communication Manual



- j) PRN of the participant who has placed the instruction,
- k) number of the account from which/to which the dematerialised securities shall be transferred,
- l) information about conditionality of the settlement instruction (HOLD/PREA or RELEASE/NEWM),
- m) type of applied identifier of the client according to MiFID II,
- n) client's identifier according to MiFID II.

4. The instruction may further contain:

- a) settlement priority,
- b) currency,
- c) time of trade conclusion,
- d) duration of instruction validity,
- e) instruction external no.,
- f) client number for participant's use,
- g) identification no. of the entry in the records of a participant,
- h) additional information for the counterparty,
- i) trading venue,
- j) code of trading venue,
- k) place of clearing,
- l) information about issuer's consent with a transfer,
- m) indicator of partial settlement in the instruction
- n) transfer identification for conditional settlement,
- o) matching parameters for closer matching,
- p) ID of transaction for which buy-in is executed,
- q) ID of SWIFT message for which buy-in is executed.

5. The instruction for settlement under paragraph 1 (c) must contain:

- a) ISIN of dematerialised securities,
- b) transferor's code,
- c) counterparty's code,
- d) number of dematerialised securities,
- e) number of the asset account of the transferor,
- f) number of the asset account of the transferee,
- g) legal grounds of the transfer.

6. The intended settlement date (ISD) referred to in paragraph 3 (f) of this Article means a day in the meaning of Article 28. This date can also be set in the past; in this case, the instruction will be put into settlement in the first next settlement cycle following matching (and on condition that both counter-instructions are of the NEWM instruction type pursuant to paragraph 3 (l) of this Article).



7. Information about the instruction type under paragraph 3 (h) determines whether it is settlement in the form of delivery of dematerialised securities against payment, in the form of delivery of dematerialised securities without payment, in the form of delivery with payment or in the form of payment without delivery. In case of settlement in the form of delivery of dematerialised securities without payment, Central Depository does not perform transfer of cash corresponding the trade volume.
8. The information about type of trade referred in paragraph 3 (i) determines character of respective transfer. This information is not a pairing item and in case of difference, Central Depository provides the information on the selling side for the purpose of reporting.
9. The information about conditionality of settlement referred in paragraph 3 (l) of this Article divides instructions to instructions subject to an additional confirmation by the entering participant (PREA) and unconditional confirmed instructions that are automatically put into settlement as of the settlement date (NEWM).
10. The information about currency determines currency for types of instructions that mean transfer of financial means. In case of type of instruction in the form of delivery without payment, the information provided in the instruction is not considered.
11. The period of instruction validity under paragraph 4 (c) of this Article determines the period of validity of non-matched instructions.
12. Additional information for the counterpart referred to in paragraph 4 (g) of this Article shall mean, in particular, the identification of the Participant's client (BIC, LEI, name or business name, address), client's internal reference or Participant's internal reference. This information serves for matching instructions for settlement between participants.
13. Indicator of partial settlement enables to set on behalf of respective trade party whether the instructing person agrees with splitting of the transfer in case of lack of securities on the account of the selling party. For splitting of transfer, consent of both sides is necessary.
14. A special agreement with a person referred to in paragraph 1 (a) of this Article may modify the specific details to be included in settlement instructions differently than the provisions of paragraphs 4 and 5.

Article 20

Irrevocability of the instruction for settlement

1. The instruction for settlement is considered entered in the settlement system the moment the Central Depository commenced settlement by earmarking dematerialised securities intended for the settlement on asset accounts (validation).
2. The participant or the third party must not unilaterally revoke the instruction once it is entered in the Settlement System.
3. Upon the commencement of settlement, the Central Depository bears liability for securing the Settlement System against any attempt to unilaterally revoke the instruction for settlement. No instruction that may unilaterally revoke a settlement instruction will be entered in the Settlement System.
4. In the event of the Participant's failure, the Central Depository shall settle the instructions of that Participant entered in the settlement system before the time at which it became aware of that fact (in accordance with Article 13(4)).



Article 21 Settlement

1. Settlement based upon type of instruction includes:
 - a) the transfer of dematerialised securities (DFP, RFP)
 - b) the transfer of dematerialised securities and counter transfer of financial means if the delivery of dematerialised securities against payment is concerned (DVP, RVP) , and
 - c) the transfer of dematerialised securities together with transfer of financial means (DWP, RWP),
or
 - d) the transfer of financial means without transfer of dematerialised securities (PFOD).
2. The Central Depository is liable for the concurrent transfer of dematerialised securities against payment of the corresponding amount of financial means or for not transferring either dematerialised securities or financial means relating to the given trade in the case that the transfer of dematerialised securities and the transfer of financial means have been requested by participants. Central depository is responsible for obtaining of financial means at the transfer of dematerialised securities together with transfer of financial means.
3. The Central Depository carries out the settlement in settlement cycles: each cycle is commenced by the transfer of dematerialised securities from the asset account of the selling participant to the account of the purchasing participant and, in the case of settlement cycles with payment transfers, also by the transfer of financial means from the clearing bank of the purchasing participant to the account of the clearing bank of the selling participant in CERTIS (for CZK), in T2 (for EUR) or at the chosen bank of the participant (for other currencies) (hereinafter the “**chosen bank**”). Based on a specific agreement with a trading venue, Central Depository ensures settlement in real time but only for transfers without corresponding cash transfer. Only transfers based on non-matching instructions and other entries in the records are also settled outside settlement cycles.
4. Settlement involves the participants in the Central Depository which concluded the trade or the participants determined in the instruction for settlement on the basis of a written agreement on the settlement of trades in dematerialised securities and an instruction for settlement of the respective trade.
5. The participant who carries out the settlement but does not enter the instruction for settlement shall receive the information on the fact that it shall carry out the settlement real time when the trade was registered in the trading system of the Exchange or in the Settlement System of the Central Depository. This participant is obliged to enter on the matched instruction for settlement the number of the account from/to which the dematerialised securities shall be transferred, type and client’s identifier according to MiFIDII, at the latest by the commencement of settlement. If the participant does not fill in this information in the matched instruction for settlement, the trade settlement is suspended. If the participant does not fill in the information even during the extension period of settlement suspension, the trade shall not be settled.
6. Data in the instruction for settlement may not be modified, with the exception of following data:
 - a) external no.,
 - b) client’s identification,
 - c) identification number of the entry in the records of a participant,
 - d) number of asset account,
 - e) information about conditionality of settlement instruction,
 - f) type of applied identifier of the client according to MiFID II,
 - g) client’s identifier according to MiFID II,



- h) information about issuer's consent with a transfer,
 - i) transfer identification for conditional settlement,
 - j) indicator of partial settlement,
 - k) type of the trade,
 - l) amount for partial settlement
 - m) counterparty's client.
7. Data according to paragraph 6 of this article may be changed or completed in the instruction by the beginning of settlement at the latest.
 8. The exceptions listed in paragraph 6 may be limited by an agreement entered into between the Central Depository and the person referred to in Article 19 (1) (a).
 9. Matching of instructions for settlement also occurs if the volume of the trade referred in paragraph 19 (3) (d) is different. The maximum deviation allowing automatic matching of instructions for settlement shall be published in the Newsletter. Instructions for settlement shall be matched with the trade volume provided in the instruction of the Participant acting as a transferor and the trade volume and trade price provided in the instruction of the Participant acting as a transferee shall be adjusted accordingly.
 10. In order to put instructions into settlement, the instructions of Participants acting as transferors and transferees shall have the NEWM code indicated as information about conditionality of the settlement instruction within the meaning of Article 19 (3) (l), or the changed type according to paragraph 6 (e); these instructions are confirmed for settlement and may not be unilaterally changed or cancelled. PREA-PREA and PREA-NEWM instructions are considered finally matched and may not be unilaterally changed or cancelled.
 11. The transfer of financial means also includes in the case of trades in bonds the value of the aliquot interest income (hereinafter the "interest income") calculated as of the ISD of the trade.
 12. The interest income is calculated under parameters mentioned in the issue conditions and using the interest rate known by the Central Depository on the day of concluding or registering the trade. In the case of a variable yield bond, the interest income is always calculated based on the last yield value reported by the issuer.
 13. With the suspension of trade settlement under Article 25 hereof, the value of the interest income calculated as of the due date of settlement does not change.
 14. If there is an evident lack of dematerialised securities for sale or a lack of financial means required for purchase, the Central Depository will make use of the regime described in the provisions of the respective chapter of the special part of these Rules.
 15. The participant is entitled to condition the settlement of one transfer on the successful settlement of another single transfer that has been registered in the Settlement System. If the transfer is not settled, the settlement of the conditional transfer is automatically suspended. The procedure for the settlement of both transfers is governed by the corresponding articles of these Rules, based on the nature of the given transfer. A participant that has conditioned a specific transfer is responsible for the non-settlement of any exchange trades.
 16. On the maturity day of investment instruments, the Central Depository shall secure the automatic use of profit positions in accordance with the issue conditions and the transfer of the corresponding financial sums to the participants keeping the accounts for the owners of these instruments. In the case of the physical delivery of the underlying asset, the Central Depository shall secure their delivery versus payment of the strike price. Detailed procedures for applying investment instruments and the settlement of asserted positions shall be established by the Central Depository in the Newsletter.



17. If both party of the instruction agree with partial settlement, Central Depository shall check the balance on securities account of the seller; in case that the lack of securities fulfil the condition of minimum amount, it shall split the transfer and attempts settling of the transfer. Splitting of a transfer is always based on lack of securities, lack on the side of cash cannot be a reason for splitting of a transfer. Split transfer enters settlement, it is settled following standard rules and settlement is not guaranteed. Minimum number of securities for split transfer is determined by Central Depository and published in the Bulletin.
18. Participant may determine according to par. 6 letter l) the amount that is confirmed for settlement. This value has the effect on split of the transfer and stated number is put into settlement.
19. Information about counterparty's client according to par. 6 letter m) functions to inform participants for the matching purposes.
20. If the application of rights connected with the ownership of investment instruments is secured by the Central Depository on the basis of the participant's application, this request must contain:
 - a) participant's identification no.,
 - b) account number,
 - c) account owner's identifier,
 - d) ISIN or other identification data designating the issue,
 - e) the number of applied investment instruments.
21. The Central Depository shall secure the settlement of securities of a derivative type applied under previous paragraph in accordance with the issue conditions of the given investment instrument provided that the number of asserted securities of a derivative type is registered on the asset account in the participant's application.
22. A participant in the settlement of trades in securities of a derivative type which are not derivatives may be:
 - a) the clearing bank,
 - b) a participant in the settlement system with a permit to trade in derivatives from the Czech National Bank.
23. The participant in the settlement system with securities of a derivative type is obliged before the commencement of the settlement of trades in these investment instruments to present to the Central Depository a copy of the permit under paragraph 21 (b).
24. At the request of the affected participants of the settlement system, the Central Depository can offset claims from two or more transfers of substitutable dematerialised securities (hereinafter also "technical netting"). All participants of transfers that will be offset this way must apply for technical netting.
25. Technical netting leads to the offset of claims from transfers. Subsequently, the resulting balances of dematerialised securities on asset accounts and financial limits are verified. If the transfers are not settled successfully in the netting, the system will automatically settle them according to the standard rules in the respective settlement cycle.
26. Technical netting takes place at the beginning of the settlement cycle in accordance with the schedule in Annex No. 1 of these rules.
27. In the case of provisional transfers of securities between linked CSDs, the reverse transfer of securities before the first transfer becomes valid and effective is prohibited within the meaning of Article 48(4) of the CSDR. The Central Depository shall not effect a reverse transfer to a foreign CSD if the status of the linked transfer is not final.



Article 22

Clearing of financial means

1. Based on an agreement with the Czech National Bank, the Central Depository as a third party files instructions for the clearing of funds in its own name and on the participant's account for the settlement of funds in CZK to payment system CERTIS. In case of clearing of funds in EUR, the Central Depository files instructions for debit or credit as an associated settlement system to payment system T2, based on an agreement with NBS. The clearing of trades in a currency other than CZK or EUR is carried out by the Central Depository by means of the chosen bank.
2. The required data for instructions for clearing are the instructions for settlement under Article 19 or possibly other documents.
3. The finality of funds transfers is linked to the receipt of confirmations of payments made from payment systems with settlement finality of CERTIS or T2 or the receipt of confirmations from the selected bank. The form and manner of receipt of information on settlement termination are contractually regulated between the Central Depository and the CNB, the NBS or the chosen bank.
4. The Central Depository is liable for damage incurred by the participant as a consequence of a faulty instruction assigned to CERTIS, T2 or by the chosen bank under paragraph 1. An instruction is considered faulty if it does not correspond with the data contained in documents under paragraph 2.
5. The creation of payment instructions for the individual types of instructions is described in the respective Chapter of the Special Part of these Rules.

Article 23

Transfers in settlement system

1. The settlement is according to character of respective type of instruction terminated by clearing the transfers of dematerialised securities from the transferors' asset accounts to the transferees' asset accounts or clearing of transfer of financial means, in compliance with the time schedule.
2. The Central Depository is liable for damage incurred by the participant as a consequence of an incorrectly processed instruction.

Article 24

Types of trades

1. The Central Depository carries out trade and non-trade transfers of dematerialised securities.
2. Trade transfers are:
 - a) Purchases of dematerialised securities (TRAD),
 - b) Sales of dematerialised securities (TRAD).
3. Non-trade transfers may be transfers of the character of a loan (SECL), repo operations (REPU), internal transfer (OWNI), etc.
4. Central Depository publishes a list of possible types of trades in the Bulletin.
5. If a difference occurs in the type of trade in the purchasing and selling instructions, Central Depository shall use for the reporting purposes the value from the selling instruction.

Article 25

Suspension of settlement of transfer

1. The transfer of dematerialised securities may be suspended in particular for the reason of:



- a) a lack of dematerialised securities determined for settlement;
 - b) formal mistakes in the data necessary for the registration of dematerialised securities transfer;
 - c) a lack of financial means for settlement.
2. A transfer of dematerialised securities which was not carried out is excluded from further processing by the Central Depository for this settlement cycle and thus the settlement of the respective trade is suspended.
 3. Penalties for failed settlement and possible buy-ins are provided for in the Chapter III in Special Part of these rules.
 4. The respective Chapter of the Special Part is followed in the case of dematerialised securities transfers that could not be carried out.

Article 26

Procedure for transfers of financial means

1. Transfer of financial means includes the transfer of the amount corresponding to the volume of the type of instruction, transfers of guarantee means, charges for services and transfers of other amounts in accordance with the Central Depository Price List.
2. The Central Depository shall calculate for each settlement cycle (which includes payment instructions) the net financial position of all the participants and inform the participants, including the clearing bank at the non-banking participant.
3. Clearing banks set monetary limits for non-banking participants for each cycle of settlement in which money transfers are allowed.
4. Clearing banks set up monetary limits in compliance with the time schedule of settlement.
5. Clearing banks set up separately for CZK and EUR the following limits:
 - a) the debit limit of a clear position;
 - b) the credit limit of a clear position.
6. No limit according to paragraph 5 can be exceeded as part of the settlement. A transfer that might cause exceeding of limits must be suspended. Transfers are sorted according to Annex 1 – Time Schedule of Settlement, in the Means of Sorting Transfer Instructions of Dematerialised Securities part.
7. The Central Depository shall hand over to CERTIS and T2 the instruction for the transfer of financial means between the accounts of individual clearing banks and the account of Central Depository.
8. In the case that clearing shall be carried out in a currency other than CZK or EUR, the Central Depository shall check the cash balance of the purchasing participant on the stipulated account at the chosen bank (hereinafter the “**stipulated account**”), and then hand over to the chosen bank the instruction for the transfer of financial means in favour of the account of the selling participant.

Article 27

Lack of financial means

1. In the clearing of trades, the purchasing participant’s lack of financial means may arise due to:
 - a) lacking financial limits of a participant at its clearing bank;
 - b) a lack of financial means of the clearing bank on account in CERTIS or T2;
 - c) the participant’s lack of financial means on the stipulated account at the chosen bank (in the case that clearing shall be carried out in a currency other than CZK and EUR).



2. For the reason of a lack of financial means, the following may not be paid:
 - a) the amount for the closed trade,
 - b) the contribution to the CSD Clearing Fund,
 - c) the collateral for loaning dematerialised securities, or
 - d) other payments stipulated in the Price List.
3. Procedures of the Central Depository in the case of a lack of financial means are described under paragraph 2 (a) and (b) in the respective Chapter of the Special Part of these Rules. Procedures according to paragraph 2 (c) and (d) are described in special regulation of the Central Depository⁴.

Article 28

Intended Settlement Date (ISD)

1. The intended settlement date (hereinafter also only as **"ISD"**) means the date set in the instruction for settlement when the settlement of registered trade should occur.
2. If the date is set in the past, the instruction meeting the requirements is put into settlement in the first next settlement cycle for the instruction type All types of instructions for settlement are put into settlement cycle if both counter-instructions have type of instruction NEWM according to Art. 19 (3) (I).
3. If ISD falls in the period in which the right to dispose of dematerialised securities is suspended, the Central Depository shall carry out the settlement on the first accounting day after this suspension of the right to dispose ceases to exist.

Article 29

Extension period for trade settlement

1. The extension period for trade settlement is the number of accounting days following the day of settlement mentioned in the transfer, in which the transfer with suspended settlement may be subsequently settled. The number of days in the additional period is determined in the respective Chapter of the Special Part.
2. The extension period for the settlement of the suspended transfer of dematerialised securities shall be extended by the period of suspension of the right to dispose of the dematerialised security issue in the Central Depository.

PART SPECIAL

CHAPTER I

SETTLEMENT OF EXCHANGE TRADES

Article 30

Subject

1. This Chapter regulates the principles and conditions for the settlement of exchange trades, as well as the rights and obligations of the participants of this settlement.

⁴ The Central Depository Price List and the List of Tariffs for the Settlement of Material Costs, Implementing Regulation for the Settlement System Rules – Securities Loaning Rules



2. An instruction for settlement of trades in compliance with paragraph 1 contains the following information:
 - a) type of instruction: V,
 - b) type of trade: TRAD,
 - c) trading venue: EXCH,
 - d) code of trading value: MIC of the relevant market of the Exchange.
3. Exchange trades are always settled on the second day after the conclusion of the trade (T+2).

Article 31

Clearing Participant

1. A clearing participant of the Settlement System (hereinafter the “**Clearing Participant**”) may only be a trading member or a settlement participant that has entered into a clearing agreement (hereinafter the “**Clearing Participation Agreement**”) with the Central Depository and meets the requirements for the Clearing Participant stipulated by these Rules.
2. Promptly upon concluding a Clearing Participation Agreement, the Central Depository shall allocate to each Clearing Participant a Clearing Participant registration number (hereinafter the “**CMI**”), which the Clearing Participant shall state whenever services provided by the Central Depository in relation to the settlement of trades are used.
3. A Clearing Participant that is not a participant of the Settlement System shall meet the following conditions:
 - a) Be an Exchange member, and
 - b) Have an agreement concluded with a Clearing Agent under which the Clearing Participant has financial settlement secured via a Clearing Bank and has at least one Asset Account for the settlement of dematerialised securities. The Clearing Agent maintains this Asset Account under a new PRN corresponding to this Clearing Participant’s CMI; in the event that the Clearing Agent is not a trading member, the Clearing Agent may use the existing PRN for one Clearing Participant.
4. The Clearing Participant that is responsible for unconditional fulfilment of obligations arising from the settlement of exchange trades of a Non-Clearing participant shall meet the following conditions:
 - a) Be a Participant in the settlement, and
 - b) Be a clearing bank or have the clearing of funds secured through a clearing bank.
5. The Clearing Participation Agreement shall be made in writing. A draft of the Clearing Participation Agreement is available on the Central Depository’s website.
6. Participation in the settlement system shall end upon termination of the Clearing Participation Agreement in accordance with paragraph 7 of this Article, but not later than on the date of settling all accounts receivable and payable between the Central Depository and the Clearing Participant in relation to exchange trades of the Clearing Participant or the Non-Clearing Participant of the Clearing Participant being terminated, and liabilities relating to the Clearing Participation.
7. In particular, the Clearing Participation Agreement may be terminated:
 - a) by means of a notice of Agreement termination by the Clearing Participant;
 - b) by means of a notice of Agreement termination due to a decision by the Board of Directors of CSD Prague to cancel clearing participation;



- c) due to a decision to cancel participation upon the Clearing Participant's loss of eligibility to be a Clearing Participant;
 - d) by means of termination of participation in the Settlement System, unless the Clearing Participant proves, to the Central Depository in advance that an agreement has been concluded with the Clearing Agent;
 - e) by agreement of the Parties.
8. The Clearing Participation Agreement shall be terminated on the day set forth in the notice of termination referred to in par. 7 (a), but not earlier than 6 months after the delivery of the Clearing Participant's notice of termination, or as of the date stated in the notice based on the decision of the Board of Directors with regard to the termination of the Clearing Participation in accordance with par. 7 (b), or as of the date stated in the decision on the termination of participation due to the loss of eligibility to be a Participant in accordance with par. 7 (c), or as of the day on which the participation in the Settlement System is terminated in accordance with par. 7 (d).
9. The Central Depository's Board of Directors shall be authorised to decide on the termination of clearing participation in the Settlement System in accordance with par. 7 (b) if the Clearing Participant violates its obligations arising from the Clearing Participation Agreement or obligations arising from these rules to such a degree that it results in damage or jeopardises the activities of the Central Depository, the Exchange, and/or another Clearing Participant or Non-Clearing Participant.
10. A Clearing Participant whose Clearing Participant Agreement is terminated for any reason shall immediately report this fact in writing to all Non-Clearing Participants with which it has concluded agreements on the settlement of Exchange trades, terminate contractual relations with them, and invite them to conclude agreements on the settlement of exchange trades with other Clearing Participants.

Article 32

Rights and Responsibilities of the Clearing Participant

- 1. A Clearing Participant is entitled to use the Central Depository's services to the extent and under the terms set forth in the Clearing Participation Agreement and in these Rules and for the price set forth in the Price List.
- 2. The Clearing Participant shall be fully liable for unconditionally fulfilling the obligations ensuing from the settlement of Exchange trades concluded by a Non-Clearing Participant with which it has a valid agreement on the settlement of Exchange trades at the time of concluding such trades.
- 3. The Clearing Participant is entitled to require the Exchange to provide for prompt suspension of trading and cancellation of entered non-matched instructions of a Non-Clearing Participant with whom it has entered into a settlement agreement through a request submitted by the Central Depository.
- 4. The Clearing Participant may request the suspension of trading and cancellation of instructions pursuant to paragraph 3 by phone, provided that this request is confirmed by a electronic request within one hour.
- 5. The Clearing Participant is obliged to provide deposits and contributions to the Clearing Fund.
- 6. The Clearing Participant shall notify the Central Depository of all Non-Clearing Participants with which it has concluded or terminated an agreement on the settlement of exchange trades. The Clearing Participant shall promptly notify the Central Depository of this fact by sending an electronic mail. This notice shall be confirmed by the subsequent delivery of its original by a documentary notification. The termination of the settlement agreement shall be without prejudice to the Clearing Participant's right and obligations towards the Central Depository.



7. The Clearing Participant shall notify the Central Depository without undue delay of all facts relating to its legal subjectivity and/or facts which may affect the performance of its activities, including, but not limited to:
 - a) Any change in its business name, change in its registered address or place of business, change of its identification number;
 - b) The commencement of proceedings aimed at the withdrawal of relevant licences, and/or other facts that may lead to the expiry of authorisation to act as a trading member or Clearing Participant in the Czech Republic;
 - c) Significant changes in its financial situation that could result in a failure to perform its financial liabilities, the initiation of insolvency proceedings, a decision of the Insolvency Court on the manner of resolving insolvency, dismissal of an insolvency petition due to a lack of Participant's assets, institution of receivership or a decision to cancel the Clearing Participant.
8. The Clearing Participant shall meet the terms and conditions of Clearing Participation set by these Rules for the entire duration of its participation.

Article 33

Non-Clearing Participant

1. A Non-Clearing Participant is entitled to enter the Settlement System solely through a Clearing Participant with whom the Non-Clearing Participant has entered into a settlement agreement.
2. The Non-Clearing Participant shall demonstrate to the Central Depository the conclusion of the agreement referred to in paragraph 1 by delivering a form confirmation provided in Annex 6. The confirmation shall be signed by the Clearing Participant and Non-Clearing Participant.
3. A Non-Clearing Participant is entitled to select or change the Clearing Participant.

Article 34

Clearing Agent

1. A Clearing Agent of the Settlement System (hereinafter the "**Clearing Agent**") may only be a settlement participant that has an agreement concluded with a Clearing Participant under which the Clearing Participant has financial settlement secured and has at least one Asset Account for the settlement of dematerialised securities. The Clearing Agent maintains this account under a new PRN corresponding to this Clearing Participant's CMI; in the event that the Clearing Agent is not a trading member, the Clearing Agent may use its existing PRN for one Clearing Participant.
2. If the Clearing Agent is not also a Clearing Bank, the Clearing Agent shall have an agreement on the clearing of funds concluded with one of the Clearing Banks.
3. The Clearing Agent provides the Clearing Participant with settlement of exchange trades and ensure the fulfilment of related obligations under these Rules but is not responsible for unconditional fulfilment of obligations arising from the settlement of these exchange trades.
4. The Clearing Agent is entitled to make use of the Settlement System services to the extent and under the terms and conditions set in these Rules.
5. The Clearing Agent shall notify the Central Depository of all Clearing Participants with which it has concluded or terminated an agreement on the provision of Clearing Agent's services. The Clearing Agent shall promptly notify the Central Depository of this fact by sending an electronic mail. This notice shall be confirmed by the subsequent delivery of its original by a documentary notification. The termination of the agreement on the provision of Clearing Agent's services shall be without prejudice to the Clearing Agent's right and obligations towards the Central Depository.



Article 35

Settlement of Exchange trades

1. Settlement of exchange trades (hereinafter the “**settlement**”) is managed by the Central Depository in accordance with these Rules.
2. The information on a closed trade will be communicated to the Clearing Participant or the Clearing Agent for itself or for other Clearing and Non-Clearing Participants with whom the Clearing Agent has concluded the relevant agreement through the Settlement System promptly after the conclusion of this trade in the Exchange system. Based upon an agreement between the Exchange and Central Depository, matched instructions for settlement of closed trades are simultaneously registered in the settlement system in accordance with these Rules.
3. The trade is settled on the day listed in the instruction for settlement.
4. The CSD Clearing Fund guarantees apply to the settlement. Cross trades are an exception, as they are not taken into consideration in the calculation of the required deposit in the CSD Clearing Fund. A cross trade is a trade in which the same trading member appears on both the buying and selling side (a so-called “cross trade”).
5. Central Depository performs the role of buy-in agent with respect to exchange trades.
6. Cash settlement of exchange trades is secured by the aggregation of credit and debit amounts of the same currency (netting) together with OTC trades individually for each registration number of the settlement participant (PRN) and by the transfer of these amounts from accounts of clearing banks on the debit side in favour of banks on the credit side.

Article 36

Procedure in the case of a lack of financial means

1. In the case of a lack of financial means for the contribution to the CSD Clearing Fund, the Central Depository will:
 - a) Inform the Exchange CEO without delay that the Clearing Participant does not fulfil its obligations and request immediate suspension of the trading of this Participant and Non-Clearing Participants with whom it has concluded a settlement agreement and cancellation of entered non-matched instructions;
 - b) Inform Clearing Participants about the closed trades that are to be settled between them and the failing Clearing Participant but that are not covered by the contribution in the CSD Clearing Fund, and about the fact that, given the open position and high exchange loss, there is a significant risk that these trades will have to be covered by additional contributions of other Clearing Participants or may be reduced pursuant to Article 46.
 - c) Take measures in accordance with these Rules and the special regulation⁵ and is entitled to cancel the settlement of Participant’s trades (Art. 37 (3) of the Rules).
2. In the case of a lack of financial means to settle the trade:
 - a) The Central Depository will inform the CEO of the Exchange and will suspend the settlement of the trade and will subsequently act according to Article 39 (1);
 - b) If the debtor does not pay the amount owed by the end of the period in which the settlement is suspended, the Central Depository acts in accordance with special regulations and uses the CSD Clearing Fund.

⁵ CSD Prague Regulation – Parameters of the CSD Clearing Fund



Article 37

Procedure in the case of a failed transfer

1. If, owing to fail:
 - a) on the selling side, mainly due to a lack of dematerialised securities on the asset accounts in the Central Depository register, or
on the purchasing side, mainly due to insufficient financial limits or lack of financial means in payment systems, the trade settlement is suspended, it is the obligation of the failing participant to remedy the reason for the trade settlement suspension. The failing participant has the possibility in the extension period for carrying out of settlement to finish the trade settlement. If the right to dispose of dematerialised securities of the issue is suspended during this period, the Central Depository shall extend this period by the appropriate number of days. The extension period for a failure on selling side for respective type of an issue is set according to CSDR and for the purchasing side is three days. In the case of issues where the penalties for non-settlement are not governed by the CSDR (Article 7(13) CSDR), the extension period is 7 days. This extension period on purchasing side is not applied if fail of the purchasing side occurred after fail of selling side.
2. If the participant is at fault for the fact that after the expiration of the extension period for settlement the settlement is not carried out successfully, the Central Depository shall cancel the trade settlement.
3. If the Participant fails to contribute to the CSD Clearing Fund properly, the Central Depository CEO is entitled to decide on the fact that the Central Depository shall cancel settlement of the already concluded but still not settled trades of the participant.
4. The participant who caused the cancellation of the trade settlement under paragraph 2 or 3 is obliged to pay to the Central Depository the charge for the settlement cancellation in the amount stated by the Price List. This fee is payable on the following business day after the cancellation of the trade settlement on the basis of the payment instruction of the Central Depository into CERTIS.
5. After the trade settlement suspension, the Central Depository as the buy-in agent shall organize the buy-ins under Article 38 and shall carry out the settlement under Article 40.
6. The rules of the substitute settlement, with the exception of paragraph 5, also apply for the substitute settlement of cross trades, with the exception of own trades.

Article 38

Buy-in

1. A buy-in is a trade concluded between the requested Participant or a trading member on one side and non-failing participant on the other side, initiated by the Central Depository.
2. A buy-in is concluded:
 - a) Between the counterparty of the failing participant and the trading member, or
 - b) Between two counterparties of the failing participant.
3. The Central Depository is obliged to initiate the buy-in if the trade settlement is suspended under Article 37 (2) or (3), and to do this on the following day after the end of the extension period and when this suspension of settlement happened. The Central Depository shall not initiate the buy-in according to paragraph 2, clause a) of the of this Article if the counterparty of the failing participant is not interested in it and reports this to the Central Depository.
4. Central Depository shall automatically mark the transfer as suitable for partial settlement on the last day of the extension period.



5. Central Depository shall check on the first day after expiration of extension period whether respective dematerialised security exists, and that failing trading party is not in insolvency proceedings.
6. If buy-in according to par. 5 is not possible, Central Depository shall inform both parties about impossibility to initiate buy-in and arranges for financial remedy.
7. If conclusion of buy-in according to par. 5 is possible, Central Depository shall suspend settlement of unsettled trade by setting the value PREA to the transfer and marking the participant delivering dematerialised securities as failing participant.
8. Failing participant is not allowed to deliver respective dematerialised securities after the end of extension period.
9. The participant of the buy-in chosen by the Central Depository and the counterparty of the failing participant are obliged to conclude the buy-in on the same day the Central Depository requested them to do so, in the amount of dematerialised securities that was the subject of the trade, the settlement of which was cancelled, and for the price established in paragraph 7. The counterparty of the failing participant shall inform the Central Depository on the non-conclusion of the buy-in without undue delay.
10. The Central Depository is entitled to initiate the buy-in under paragraph 2 (b) solely in the case that on the given day the settlement of trades with the same issue of dematerialised securities and reverse instruction direction was cancelled. In this case the Central Depository shall call the counterparties of the failing participant to conclude the buy-in.
11. The buy-in under paragraph 2 (a) involves the Central Depository calling on all the trading member, except for the failing member and the counterparty of the failing member, to make a price offer for the substitute purchase or substitute sale of dematerialised securities.
12. The Central Depository shall choose the best price among the offers from the addressed trading members for the announced buy-in. In the case that multiple trading members make the same price offer to the Central Depository for the buy-in, the Central Depository shall give preference to the earlier received offer. In case there is no price offer for dematerialised securities, the Central Depository shall proceed in accordance with Article 40 (3).
13. The buy-in is not considered an Exchange trade and the CSD Clearing Fund guarantees do not apply to it. In the case of its non-settlement by the deadline, the provisions of this Article do not apply to it and the Central Depository only informs the Exchange CEO of the non-settlement of the buy-in. In the case of the non-settlement of the buy-in under paragraph 2 (b), the Central Depository shall initiate the buy-in under paragraph 2 (a) on the day of settlement cancellation.
14. The Exchange Trades Committee (hereinafter the “**Exchange Committee**”) may recommend to CEO a limit for the price of the buy-in. The Central Depository proceeds in accordance with the Exchange Committee decision as of the moment the decision has been delivered.
15. The price of the buy-in under paragraph 2 (b) shall be stipulated as the arithmetic mean of the prices of the respective trades, the settlement of which was cancelled.
16. If in the case of the buy-in under paragraph 2 (a) the best price offer from trading members under paragraph 7 differs by more than a percentage value set in a special regulation⁶ from the dematerialised security rate valid at the moment the acceptance of these offers is closed, the buy-in is deemed not concluded and the Central Depository is entitled to proceed under Article 40 (3).
17. The buy-in is concluded with the term of settlement T+1. The instruction to transfer the buy-in must indicate BYIY as the type of trade (Article 19 (3) (i)).

⁶ CSD Prague Regulation – Parameters of Clearing fund



18. The sequence of Central Depository activities during the realization of the buy-in under paragraph 2:
- a) The Central Depository shall inform the Exchange CEO or the CEO's representative immediately after the end of the last DVP settlement cycle relevant for this trade and finding out that the trade was not settled due to the failure of one of the participants, and the Central Depository shall publish this matter with the identification of the participant who caused the cancellation of the trade settlement.
 - b) The Central Depository shall initiate the buy-in following day after the end of the extension period for settlement according to the Time Schedule (Annex 1); in the offer the Central Depository is obliged to state the deadline by which the addressed trading members are to send their offers.
 - c) The Central Depository shall choose the best offer with respect to price or time from the trading members' offers according to paragraph 7 and call on both participants to conclude a buy-in and enter it to the settlement system with a settlement deadline according to paragraph 12.
 - d) The Central Depository shall publish information on the concluded buy-in.

Article 39

Penalties for settlement fails

1. For every day the trade settlement is suspended according to Article 37 (1), or on the day the settlement is cancelled according to Article 37 (2) and (3), the failing participant is obliged to pay to the counterparty of the trade a penalty for settlement fail according to Chapter III in the Special Part of these rules. In the case of issues where the penalties for non-settlement are not governed by the CSDR (Article 7(13) CSDR), the Central Depository sets the coefficients and algorithms according to the CSDR for each issue by publication in the Bulletin. For these issues, the relevant market for determining the reference price is always the Exchange.
2. Penalties for settlement fails are not included in transfers within register of Clearing Fund CSDP except for issues, where penalties for non-settlement are not governed by the CSDR.
3. The amount of the costs on organizing of a buy-in including remuneration for the agent is published in the Price List.

Article 40

Compensation

1. In the case that a buy-in is concluded under Article 38, the Central Depository shall secure compensation for the price difference between the exchange trade and the buy-in if:
 - a) The settlement was cancelled by the fault of the buyer and the price for one security listed in the instruction for the exchange trade is higher than the price for one security listed in the instruction for the buy-in; or
 - b) The settlement was cancelled by the fault of the seller and the price for one security listed in the instruction for the exchange trade is less than the price for one security listed in the instruction for the buy-in.
2. The compensation under paragraph 1 is stipulated as the product of the number of dematerialised securities listed in instructions and the absolute value of the price difference for one security listed in the instruction for the exchange trade and the price for one security listed in the instruction for the buy-in.
3. In the case that a buy-in pursuant to Article 38 which was approved by the counterparty of the failing participant is not concluded, the Central Depository shall secure compensation for the exchange rate difference of the trade if:



- a) The settlement was cancelled by the fault of the purchaser and the price for one security listed in the instruction for the exchange trade is higher than the closing exchange rate; or
 - b) The settlement was cancelled by the fault of the seller and the price for one security listed in the instruction for the exchange trade is less than the closing exchange rate.
4. The compensation under paragraph 3 is stipulated as the product of the number of dematerialised securities listed in the instruction and the absolute value of the price difference for one security listed in the instruction for the exchange trade and the closing exchange rate.
 5. The closing rate under paragraph 3 and 4 means the closing rate under the special part of the Exchange Rules⁷ stipulated for the exchange day on which the settlement was cancelled under Article 37 (2) and (3).
 6. The compensation is accounted in the respective CSD Clearing Fund register against the deposit of the failing participant and in favour of the contribution of its counterparty.
 7. If the Central Depository initiates the buy-in under Article 38 (2) (a) as a consequence of the non-settlement of the buy-in under Article 38 (2) (b), the settlement of the difference between the exchange trade and the buy-in takes into consideration the compensation the counterparty of the failing participant has already received after concluding the buy-in under Article 38 (2) (b). The difference between the compensation from the buy-in under Article 38 (2) (b) and the buy-in under Article 38 (2) (a) shall be paid to the participant from the CSD Clearing Fund or shall be returned by the participant to the CSD Clearing Fund.

Article 41

Adjusting the Deposit Amounts in the CSD Clearing Fund

After the end of the Exchange Day, the Central Depository shall compare the Participant's position and contribution in the CSD Clearing Fund and issue an instruction on the following CERTIS accounting day to transfer a contribution to the CSD Clearing Fund, or a refund from the CSD Clearing Fund.

Article 42

CSD Clearing Fund – Purpose and Management

1. The purpose of the CSD Clearing Fund is to pool funds to secure liabilities and cover risks arising from the settlement of trades concluded via the Exchange by trading members acting as Clearing or Non-Clearing Participants.
2. The Central Depository shall manage the aggregated contributions and use them to fulfil the main purpose of the CSD Clearing Fund.
3. The funds are intended to meet obligations arising from the Participant's concluded exchange trade, in particular, to cover the fee for a Participant's failure to meet its obligations arising from the concluded exchange trade, trade compensation (compensation of the concluded trade and a buy-in, or compensation for exchange differences).

Article 43

Contributions in the CSD Clearing Fund

1. In order to fulfil the purpose of the CSD Clearing Fund, the amount of Participant's contributions is determined based on:
 - a) Exchange differences of concluded trades for which the ISD has not occurred yet, and also based on exchange differences of trades the settlement of which is suspended or was cancelled on that date if the suspension or cancellation was not caused by the Participant,

⁷ Exchange Regulation – Trading Rules



- b) Risk prognosis following from the open position of the closed trades for which the ISD has not occurred yet or the settlement of which has been suspended.
2. The initial amount of the Participant's deposit is determined by a special regulation⁸ approved by the CSD Prague Board of Directors. The amount of the Participant's deposit cannot be lower than the initial deposit amount.

Article 44 Contribution Recalculation

1. In order to secure liabilities arising from closed trades, the amount of the Participant's contribution deposited to the CSD Clearing Fund is always recalculated by the Central Depository after the end of the Exchange Day as follows:

$$MFP = MFM +/- SP +/- V +/- D$$

where

- MF_P** is the Participant's cash balance in the CSD Clearing Fund after taking into account all fees and other payments,
MF_M is the Participant's cash balance in the CSD Clearing Fund from the previous day,
SP is the sum of default fees,
V is the sum of compensations from unsettled trade,
D is the extra deposit to the CSD Clearing Fund

Article 45 Check

1. The amount of the required deposit shall be calculated according to the following formula:

$$OS = K3 \times \left(\sum_i KR_{N,i} + \sum_i KR_{P,i} \right) + \sum_s \left(K5_s \times \sum_i \left(\sum N_{s,i} - \sum P_{s,i} \right) \times C_{s,i} \right)$$

where

- OS** is the volume of funds that need to be deposited by the Participant in the CSD Clearing Fund,
K3 is the rate difference coefficient
KR_N is the difference in purchases – taken into account only if positive
(price per security – the closing price of the dematerialised security of the issue) × the number of pieces of dematerialised securities (bonds are figured in without the interest income)
KR_P is the difference in sales – taken into account only if positive
(the closing price of the dematerialised security of the issue – price per security) × the number of pieces of dematerialised securities (bonds are figured in without the interest income)
K5_s is the open position risk coefficient for the relevant group
∑N_{s,i} is the sum of purchased dematerialised securities of the issue in the relevant group
∑P_{s,i} is the sum of sold dematerialised securities of the issue in the relevant group
C_{s,i} is the closing price of a dematerialised security of the issue in the relevant group
s individual groups of dematerialised securities defined by a special regulation⁹: (breakdown by the type of dematerialised securities)
i _____ ISIN issue

⁸ CSD Prague Regulation – Parameters of the CSD Clearing Fund

⁹ CSD Prague Regulation – Parameters of the CSD Clearing Fund



2. The Central Depository calculates the above required deposit on a daily basis after the end of the Exchange Day after the recalculation pursuant to Article 44.
3. The value of K3 and K5 coefficients is determined by a special regulation¹⁰ approved by the Board of Directors.
4. In cases referred to in paragraph 8 of this Article, the K3 and K5 may be increased in accordance with the special regulation¹¹.
5. Upon closing the Exchange Day, the Central Depository shall check the position of each Participant in the fund that is based on the following relations:

a. $OS > (1 + K4) \times MF_p$

b. $(1 - K4) \times MF_p > OS$

where

K4 is the CSD Clearing Fund status tolerance coefficient of 0.05.

6. In the case of the relation referred to in paragraph 5 (a), i.e. the Participant has less funds in the CSD Clearing Fund, the Central Depository shall ensure an addition to the fund corresponding to the identified difference (the Participant's contribution) on the following day.
7. In the case of the relation referred to in paragraph 5 (b), i.e. the Participant has a surplus of funds in the CSD Clearing Fund, the Central Depository shall ensure a transfer of surplus funds from the CSD Clearing Fund to the benefit of the Participant (a refund to the Participant).
8. If the Participant defaults on the fulfilment of financial liabilities arising from the settlement of exchange trades or if the Central Depository has cancelled the settlement of a Participant's exchange trade, the Central Depository CEO is entitled to take measures in accordance with the special regulation approved by the Board of Directors¹².

Article 46

Extra Addition to the Clearing Fund

1. If a participant is unable to fulfil its obligations, other participants shall top up the CSD Clearing Fund. The amount that every Participant is obliged to add shall be determined according to the average amount of its deposit and the average amount of deposits of all Participants in the CSD Clearing Fund for the last 30 calendar days immediately preceding the day on which the Participant's inability to fulfil its liabilities started.
2. The Participant is obliged to add a deposit in the event of insolvency of each Participant, up to seven times the amount of its average deposit determined according to paragraph 1.
3. If the Participant that was not able to fulfil its liabilities towards the CSD Clearing Fund subsequently fulfils its liability, this amount will be repaid to all other Participants of the CSD Clearing Fund on a pro rata basis.
4. If the extra deposit addition is insufficient to meet the Participant's liabilities, the unsettled exchange trades of the insolvent Participant may be reduced by up to an amount exceeding the extra deposit addition. When reducing these unsettled trades, the total extent of losses from individual trades (e.g. an excessive deviation from the current rate at the time of concluding the trade may indicate a shady or incorrect trade) and the number of affected entities are taken into account to minimise the overall impact on Clearing Participants.

¹⁰ CSD Prague Regulation – Parameters of the CSD Clearing Fund

¹¹ CSD Prague Regulation – Parameters of the CSD Clearing Fund

¹² CSD Prague Regulation – Parameters of the CSD Clearing Fund



5. The Central Depository shall collect receivables arising due to a failure of some of the CSD Clearing Fund Participants to meet its obligation to provide an extra addition to its deposit, or the exchange trade of this Participant will be reduced according to preceding paragraphs.

Article 47

Chronological Order

1. The events and actions in the Central Depository when using the funds from the CSD Clearing Fund due to the debtor's default are chronologically ordered as follows:

T to S	Recalculation of the deposit in the CSD Clearing Fund pursuant to Articles 44 and 45 and subsequent sending of a payment instruction for payment of a contribution to the fund, or a refund from the fund to CERTIS; In the event of non-payment of a contribution to the CSD Clearing Fund, informing the Exchange CEO and a subsequent decision of the Central Depository CEO on the cancellation of settlements of trades and decision on the adoption of measures pursuant to the special regulation ¹³ ;
S	A Clearing Bank's notification about the cancellation of instructions for the transfer of funds; or a CERTIS/T2 notification about non-execution of instructions for the transfer of funds; or information from the Central Depository's records about non-execution of the transfer of dematerialised securities;
S to S + (X -1)	A transfer of dematerialised securities from the purchaser back to the seller; Informing the Exchange CEO in the event of non-payment of the amount for the trade; calculation of the fee for non-fulfilment of liability and its transfer from the debtor to the creditor in the fund's records;
S + X	Cancellation of the trade settlement and informing the Exchange CEO; Calculation of the fee for non-fulfilment of liability and its transfer from the debtor to the creditor in the CSD Clearing Fund's records; A buy-in on the Central Depository's initiative; Calculation of the compensation between the exchange trade and the buy-in, or the calculation of the compensation for the rate difference (including the interest income in the case of bonds);

where X is the number of days for which the trade settlement is suspended

Article 48

Management of Funds in the CSD Clearing Fund

1. The Central Depository manages the funds in the CSD Clearing Fund on a bank account with separate analytical records for each Clearing Participant. This account is kept with a bank selected by the Central Depository Board of Directors.
2. The value of funds in the Clearing Fund may be enhanced on the money market.
3. At the end of the six-month billing period, the operational yield and costs under paragraphs 1 and 2 will be divided between Clearing Participants in proportion to their share in the funds in the CSD Clearing Fund for the last six months. The calculated yield reduced by the costs will be sent by the Central Depository to the relevant accounts of Clearing Participants.
4. The Central Depository collects a fee of 12.5% of the generated annual interest and capital yield for the management and maintenance of deposit accounts.

¹³ CSD Prague Regulation – Parameters of the CSD Clearing Fund



Article 49

Settlement of CSD Clearing Fund Items

1. As a result of the volume and manner of settlement of trades, the following type of items emerge, affecting the records of cash balances of individual participants in the CSD Clearing Fund, including transfers of funds to or from the CSD Clearing Fund:
 - a) The initial contribution to the CSD Clearing Fund;
 - b) An extra contribution to the CSD Clearing Fund;
 - c) A contribution to the CSD Clearing Fund, or a refund from the CSD Clearing Fund;
 - d) A fee for non-fulfilment of liability arising from exchange trades;
 - e) Compensation for the difference between trades or for exchange differences;
 - f) Yield or loss resulting from funds invested in the money market.
2. The items referred to in paragraph 1 (a) are settled by a new participant by a payment instruction to the benefit of a bank approved by the Central Depository Board of Directors.
3. The items referred to in paragraph 1 (b), (c) and (f) are settled by third-party payment instructions in CERTIS on the Central Depository's initiative.
4. The items referred to in clauses (d) and (e) are settled only by transfers in the balance records of individual Participants in the CSD Clearing Fund.
5. All amounts of fees and other payments under this regulation are rounded up to the nearest crown.

Article 50

Deposit Refund

1. In the event of termination of participation in the CSD Clearing Fund, the leaving Participant, whose Clearing Participation has been terminated in accordance with applicable regulations and the Clearing Agreement, is entitled to a deposit refund upon fulfilling all the Participant's obligations arising from exchange trades as follows:
 - a) During the billing period with any entitlement to a share in the yield for this period;
 - b) At the end of the billing period.
2. No Participant is entitled to compensation for costs associated with the termination of participation in the CSD Clearing Fund.

CHAPTER II

SETTLEMENT OF OVER-THE-COUNTER TRADES

Article 51

Subject

This Chapter regulates the manner and conditions for matching and the settlement of over-the-counter trades and transactions (hereinafter also the “**OTC trades**”) involving dematerialised securities that have not been concluded on the Exchange, with the exception of unilateral transfers under Art. 19 (1) (c).

Article 52

Settlement

1. The settlement of OTC trades is carried out by the Central Depository in accordance herewith.



2. OTC trade is settled on the day listed in the instruction for settlement.
3. The guarantees of the CSD Clearing Fund do not apply to the settlement of OTC trades..

Article 53

Cash settlement and settlement currency

1. Cash settlement of OTC trades is secured by the aggregation of credit and debit amounts in the same currency (netting) together with exchange trades individually for each registration number of the settlement participant (PRN) and by the transfer of these amounts from accounts of clearing banks on the debit side in favour of banks on the credit side.
2. The settlement instruction includes information about settlement currency. If settlement currency is not included in the instruction, the currency set by Central Depository for each issue as its parameter is used.
3. Type of instruction under Article 19 (3) (h) determines if settlement will be in the form of delivery of dematerialised securities against payment (letter V), in the form of delivery of dematerialised securities without payment (letter F), in the form of delivery with payment (W) or in the form of payment without delivery (P).
4. Information about type of trade under Article 19 (3) (i) determines character of transfer. This information is not a matching item and in case of difference for reporting purposes, Central Depository shall notify the information set by the selling side.
5. In the case of settlement in the form of delivery of dematerialised securities free of payment, the Central Depository does not carry out the transfer of the amount corresponding to the volume of the trade.

Article 54

Period of validity of instruction for settlement

By means of data on the validity period under Article 19 (4) (c) the participant stipulates the required period of validity for the non-matched instruction for settlement. In the event that the instruction is not matched, its validity shall end on the day specified by the Participant, otherwise 20 days after the instruction was registered or last changed in the matching system.

Article 55

Matching

1. Instructions given by two participants relating to the same OTC trade must correspond to each other with respect to the data listed in Article 19 (3) (a), (c), (d), (f), (g) and (h), must relate to the reverse instruction direction under Article 19 (3) (e) and the data in Article 19 (3) (b) must agree with the data in Article 19 (3) (j) in the instruction of the counterparty.
2. In instructions for the settlement of the technical transfer of dematerialised securities or the settlement of the dematerialised securities passage, the data in Article 19 (3) (d) is only matching data and shall not be transferred into subsequent outputs.
3. By entering the field matching parameters for close matching the participant may ensure that the instructions will be matched if they agree in the data under paragraph 1 of this Article and in the field under Article 19 (4) (j).
4. Instructions matched by the settlement system fulfilling conditions provided for in par. 1, resp. 3, are considered finally matched and cannot be unilaterally changed or cancelled.
5. Settlement instructions are put into settlement cycles only if the information about conditionality of the settlement instruction type specified by the Participants acting as transferors and transferees pursuant to Article 19 (3) (l) is NEWM.



Article 56

Instruction cancellation

1. Instructions handed over to the Central Depository for matching may be cancelled by entering an instruction for cancellation at any time until the moment of their matching with the instruction of counterparty.
2. Instructions which have already been matched may be cancelled only upon a request of participants on both sides of the transfer. As regards trades concluded on the MTF market, matched transfers may only be cancelled on the basis of an instruction submitted via the MTF market.

Article 57

Periods for settlement

1. The ISD under Article 19 (3) (f) may be stipulated by the Participant within the range minus ninety-nine to ninety-nine accounting days after matching instructions for settlement.
2. The ISD for trades concluded on the MTF market are defined by the market's rules, and the Central Depository shall settle such transfers as of the date defined in the settlement instruction.

Article 58

Extension Period for Settlement

1. The extension period for a settlement fail on selling side is determined for respective type of issue according to CSDR.
2. The extension period for settlement with respect to securities not regulated according to par. 1 shall be twenty accounting days and start on the day following the day indicated in the instruction as the ISD or on the day following the day of matching of instructions for settlement if the ISD precedes the day of matching the instructions. After the expiration of this period the historicizing of the unsettled trades is commenced under the Time Schedule.
3. The provisions in this chapter are applied for dematerialised securities and types of trades mentioned in Chapter III of the Special Part.
4. In the case of buy-ins, no extension period for the settlement is permitted and the Central Depository proceeds under respective provisions of Article 36.

Article 59

Publishing of data on settlement

Information on OTC trades which were settled in accordance herewith is published by the Central Depository on its website or possibly in another suitable manner.

CHAPTER III

CASH PENALTIES FOR SETTLEMENT FAILS AND BUY-INS

Article 60

Cash penalties system

1. Cash penalties system is based on CSDR and regulation No. 2018/1229, supplementing CSDR with regard to regulatory technical standards on settlement discipline (RTS).



2. Penalties for settlement fails applied to the Central Depository by another CSD for trades settled in its settlement system are recharged to the defaulting CSD participant, which is obliged to pay them to the CSD within the time limits specified by the CSD.

Article 61

Subject of cash penalties

1. The subject of cash penalties (hereinafter also as **“penalties”**) are instructions free of payment, instructions against payment, instructions with payment and instructions for payment that are
 - a) matched (before ISD, on ISD or after ISD) and
 - b) unsettled on ISD.
2. Central Depository defines exemptions from provision in par. 1 and publish them in the Bulletin.

Article 62

Types of penalties

1. Central depository applies two types of penalties, i. e. penalty for the late matching (hereinafter also as **“LMFP”**) and penalties for settlement fail (hereinafter also as **“SEFP”**).
2. All instructions matched after ISD (or matched after cut-off time for matching with respect to individual currency) are subject to LMFP. Penalty is applied retroactively for each accounting day when matching had not occurred.
3. Penalty for late matching fail is applied only on side of the participant who was the last to enter or modify the instruction, even though both parties had entered the instruction after ISD.
4. With respect to instructions that are registered as already matched in the settlement system, instructing subject shall determine failing participant. If Central Depository does not receive information to whom the penalty should be applied, penalty is applied to the seller.
5. Subject to penalty SEFP are all instructions for which:
 - a) matching occurred before cut-off time with respect to individual accounting day for entering of this type of instruction,
 - b) ISD has been reached,
 - c) settlement failed on ISD, resp. on following accounting days.
6. Matching means a moment when instructions of both trading sides are marked as matched by the settlement system.
7. Instruction shall be subject to penalty for each accounting day when settlement has not occurred.
8. Unsettled instruction means an instruction that has not been cancelled and remains for settlement (full or partial) at the moment of the end of the possibility of this trade settlement.
9. Moment of the end of possibility of settlement of respective instruction is essential for setting of instructions summary and their status in order to determine application of SEFP penalty. Penalty shall be applied to CSD participant whose instruction:
 - a) is in status of suspended settlement (HOLD, CANS) or
 - b) failed in check for sufficiency of dematerialised securities on account or financial means (financial limits). If a lack in dematerialised securities is determined, a check on sufficient financial limits is not performed.
10. SEFP penalty may be applied against participants on both sides of transfer, e. g. when both sides of a transfer have set the information about conditionality of the transfer as value PREA.



11. Applied penalties are not a source of income for Central Depository and are always transferred to non-failing participant.

Article 63

Reference data

1. Central Depository processes information about relevant markets and prices of dematerialised securities in accordance with CSDR.
2. Because of licence limitations, Central Depository does not provide to participants reference prices of dematerialised securities for which penalties are applied.
3. Central Depository applies exchange rates in case of need. For CZK conversion, exchange rates of CNB are always applied; for conversions between other currencies (without conversion to CZK), exchange rates of foreign central banks are applied.
4. The rate for computation of penalties due to lack of cash shall be the official interest rate for one-day loan applied by central bank issuing the settlement currency, with low limit equalling to zero. For relevant currencies is the rate published in the Bulletin.

Article 64

Calculation and time schedule for penalties application

1. Penalties are calculated on the participants' level in accordance with time schedule of penalties days published by Central Depository for individual currencies in the Bulletin.
2. Penalties are computed each day and information about penalties application is provided to participants by 12 PM of the following penalties day at the latest (for respective currency).
3. Participants may appeal the computed penalty by the tenth penalties day of the following month.
4. Central Depository informs participants on the fourteenth penalties day of the following month about final status of applied penalties in the preceding month.
5. Central Depository transfers payments from applied penalties on the seventeenth penalties day of the following month.

Article 65

Provision of information

1. Central Depository informs participants about computed penalties via two daily reports and about final status of applied penalties in a monthly report.
2. There are two daily reports, and they include:
 - a) information about newly applied penalties and
 - b) information about a change in penalty, cancelation of a penalty or repeatedly applied penalty.
3. Daily reports include mainly following information:
 - a) penalty ID,
 - b) transfer ID,
 - c) participant's code of trade counterparty,
 - d) date of penalty application,
 - e) penalty amount,
 - f) penalty currency,



- g) type of penalty,
 - h) reason for penalty modification.
4. Monthly reports include mainly following information:
- a) participant's code of trade counterparty,
 - b) calendar month in which the penalty was applied,
 - c) penalty amount (after netting),
 - d) currency,
 - e) penalty status.

Article 66

Change in penalty application

Central Depository publishes information about trades with dematerialised securities that were settled in accordance with these rules on its websites, resp. other appropriate way.

Article 67

Appeal period

1. Participants may lodge an appeal for adjustment of computed penalty within a calendar month until the tenth penalties day of the following month.
2. In case of eligible appeal, Central depository shall immediately make adjustment and affected participants shall receive information about adjustment on the following penalties day.
3. Appel for adjustment of computed penalty has to include:
 - a) transfer ID, identification of counterparties, ISIN and number of securities,
 - b) reasons for appeal,
 - c) expected amount of the penalty and details of computation.
4. Request for a penalty from a participant side and comments of Central Depository on its eligibility is sent via official communication channel (PX Messenger). Central Depository may enable another way of communication in the Bulletin.

Article 68

Transfers between central depositories

1. In case of transfers between central depositories, the application of penalties shall be governed by rules of that central depository where settlement occurs.
2. Central Depository informs its participants about penalties applied by foreign depositories.
3. Payment and transfers of financial means connected with penalties application by foreign depositories are made by the same rules as for penalties applied by Central Depository for internal settlement.
4. Central Depository shall publish the detailed procedure and method of payment of cash penalties in foreign currencies in the Bulletin. Central Depository reserves the right to debit the participant in the amount of the foreign currency penalty calculated by a foreign CSD in CZK in case the participant violates the procedures specified in the Bulletin.



Article 69

Methods of cash penalties payment

1. Payments of penalties are according to currency made in payment systems via clearing banks.
2. If participant has not secured settlement of financial means for respective currency with the exemption of CZK, he is obliged to credit cash account of Central Depository with due date on the eighteenth accounting day of the following month after penalty application.
3. If participant has not secured settlement of cash in CZK, he is obliged, based upon request, to establish a right of Central Depository to direct debit of a current account of this participant.
4. After the opening of insolvency proceedings against a participant, the CSD shall not apply settlement fees to the defaulting participant. If P-transfers are generated, the CSD shall have the right to cancel these transfers and inform the non-failed participants of the new fee allocation.

Article 70

Buy-ins

1. Trade counterparties are obliged to proceed in accordance with CSDR with respect to announcements and conclusions of buy-ins, observing periods of time and information duties towards Central Depository.
2. Central Depository enables trades counterparties to report results of buy-ins via their participants, including possible cash compensations.
3. Process of buy-ins conclusions for exchange trades where Central Depository provides services of buy-in agent, is provided for in Art. 38.

CHAPTER IV

LOANING OF DEMATERIALISED SECURITIES

Article 71

Subject

This Chapter regulates the conditions under which the Central Depository organizes the system of loaning of dematerialised securities (hereinafter “**loaning**”) and associated activities.

Article 72

Loaning System Organisation

1. The loaning system is organised in a manner that enables the Central Depository to lend, manage, administer and operate this system.
2. For the purpose of these Rules, “loaning” shall mean the procurement of a loan of a lender's dematerialised securities to a borrower (hereinafter the “**loan**”), the return of the dematerialised securities (hereinafter the “**loan return**”), and settlement of other rights and obligations of the loaning system participants.

Article 73

Subject of Loaning

1. The subject of loaning may include freely transferable dematerialised securities.
2. The Central Depository CEO shall decide on which dematerialised securities will be admitted to the loaning system pursuant to paragraph 1 (hereinafter the “**admission of dematerialised securities**”). The CEO also decides on the exclusion of admitted dematerialised securities from



the loaning system (hereinafter the “**exclusion of dematerialised securities**”). The User Committee (hereinafter the “**Committee**”) or a loaning system participant may provide recommendations regarding the admission or exclusion of a dematerialised security.

3. The CEO’s decisions made on either admission or exclusion of dematerialised securities are published in the Newsletter without undue delay.
4. The procedure and other possible particulars required for admission or exclusion of dematerialised securities, as well as the timing according to which dematerialised securities of the specified issue become the subject of loaning, shall be identified in the relevant Procedural Regulation to the Rules¹⁴ (hereinafter the “**Procedural Regulation**”).

Article 74

Participants in the Loaning System

1. Loaning system participants are borrowers, lenders, and the Central Depository.
2. A lender is a participant accepted to the loaning system who lends dematerialised securities in its own name in accordance with this regulation. A lender may also be a legal or natural person that is not a Central Depository participant, provided that the scope and range of rights and obligations under the loaning system are contractually determined for this subject on the date of the subject's admission to the loaning system.
3. The borrower is a participant of the Central Depository’s Settlement System with secured financial clearing that loans dematerialised securities in its own name and in accordance with these Rules. The Central Depository CEO has the right to exclude a Central Depository Participant from the loaning system in the event of a serious or recurrent violation of the loaning system rules.

Article 75

Agreement on Earmarking of Dematerialised Securities

1. In order to ensure the availability of dematerialised securities needed for the loaning system, the Central Depository and lender shall conclude an agreement on earmarking of dematerialised securities (hereinafter the “**Earmarking Agreement**”). The Earmarking Agreement concluded with the lender is an essential requirement for the lender's participation in the loaning system.
2. The Earmarking Agreement shall, in particular, provide for dematerialised securities earmarking conditions and shall contain the authorisation for the Central Depository to mediate loans of earmarked dematerialised securities; it will also contain other particulars specified in the Procedural Regulation.

Article 76

Earmarking of Dematerialised Securities

1. Earmarking of dematerialised securities shall mean the depositing of the lender's dematerialised securities in an agreed account; this shall be done under the terms established in these Rules and in the Earmarking Agreement.
2. The Central Depository undertakes to loan earmarked dematerialised securities in accordance with the Rules, taking into account both the needs of the market and the capabilities of the loaning system, while applying the "equal treatment" principle for all lenders.
3. The Central Depository shall record the suspension of the exercise of the right of disposal to the earmarked dematerialised security on the lender’s account to the benefit of the loaning system. The Central Depository shall secure the suspension of the right of disposal by transferring to a

¹⁴ Procedural Regulation to the Settlement System Rules – Loaning of Dematerialised Securities



special type of sub-account exclusively designated for dematerialised securities earmarked for the loaning system.

4. Earmarking of dematerialised securities shall be effective for an indefinite period, unless stipulated otherwise in the Earmarking Agreement.

Article 77

Withdrawal of Dematerialised Securities

1. Withdrawal of dematerialised securities shall mean the removal of dematerialised securities recorded as earmarked for the loaning system from this system; this involves the complete renewal for the Lender of any and all of the rights of disposal attached to these dematerialised securities.
2. The lender is authorised to ask the Central Depository for the withdrawal of dematerialised securities without giving any reason. The manner in which a request for withdrawal of dematerialised securities is to be filed, the particulars of this request, as well as the deadline for withdrawal of the dematerialised securities concerned, shall be provided for in the Procedural Regulation.
3. The lender's request for withdrawal of dematerialised securities may:
 - a) Have the same effect as revoking the Earmarking Agreement, or
 - b) Include the requirement to renew the Earmarking Agreement in its full meaning after the end of the dematerialised securities withdrawal period established in the Procedural Regulation.
4. Effective the day after the delivery of a request for withdrawal of dematerialised securities, the Central Depository shall not be authorised to ensure any additional loans whose subject is requested dematerialised securities, and it shall be obliged to take all actions necessary for their proper and timely withdrawal.
5. For the time the settlement of trades in dematerialised securities is suspended, the deadline laid down in the Procedural Regulation in accordance with paragraph 2 hereof shall be deferred.

Article 78

Suspension of Loaning

1. The lender shall be authorised to ask the Central Depository to suspend the loaning of dematerialised securities already earmarked in the manner specified in the Procedural Regulation.
2. The suspension of loaning shall become effective on the day stated in the loaning suspension request, the day following its delivery at the earliest.
3. From the effective moment of the loaning suspension pursuant to paragraph 2 hereof, the Central Depository shall be no longer authorised to provide any additional loans whose subject is the dematerialised securities stated in the loaning suspension request. This shall apply without prejudice to the Central Depository's obligation to ensure loan returns.
4. Loaning suspension may be only requested for a period not exceeding 30 days.
5. Loaning suspension shall have no effect on the validity of the Earmarking Agreement based on which the dematerialised securities have been earmarked.

Article 79

Lender's Basic Rights and Obligations

1. The lender is obliged to allow the Central Depository to earmark dematerialised securities for the loaning system in accordance with this regulation and the Earmarking Agreement.



2. The lender is entitled to suspend loaning, withdraw dematerialised securities and receive compensation for the loaning of dematerialised securities.
3. In relation to the Central Depository, the lender shall be entitled to transfer income from lent dematerialised securities and or to amounts due on bonds or to a portion of any of their parts the borrower was entitled to for the loan duration term. The Central Depository's responsibility for the transfer of these amounts is limited to the extent to which it was possible to transfer them from the borrower.
4. The lender is entitled to ask the Central Depository to allow the lender to exercise the rights attached to the earmarked dematerialised securities, provided that the request for withdrawal was filed in time by the lender. The lender is not authorized to do so if it has made a different written arrangement with the Central Depository.

Article 80

Borrower's Basic Rights and Obligations

1. In accordance with Article 85, the borrower shall have the right for loan procurement and shall be entitled to interest on collateral.
2. In particular, the borrower is obliged:
 - a) Under the conditions established in this regulation, to deposit collateral for dematerialised securities to be borrowed and to enable adjustments in the collateral amount, unless the borrower and the Central Depository have agreed otherwise;
 - b) To return borrowed dematerialised securities on the loan return day or to do so upon the Central Depository's call by the deadline set in the Procedural Regulation;
 - c) To pay a fee for the loaning of dematerialised securities;
 - d) To make it possible for the Central Depository to transfer to the lender all the income from borrowed dematerialised securities and or amounts due on bonds or on a portion of any of their parts the lender was entitled to during the time of the loan, or to their payment in the course of an alternative delivery, as well as to separately transferable rights attached to the borrowed dematerialised securities, under the conditions established in the Procedural Regulation;
 - e) To inform the Central Depository, without undue delay, of the occurrence of any and all of the events and facts which might constitute a threat to the fulfilment of its obligation pursuant to the Rules.

Article 81

Loan Reservation

1. A reserved loan is a transfer of the lender's dematerialised securities to the borrower from the account in which the dematerialised securities have been earmarked in accordance with both the Rules and loan reservation.
2. Reservation is the borrower's binding request for borrowing a set number of earmarked dematerialised securities on the day stated in the reservation as the loan provision date. The day of the provision of the loan may be the current accounting day or the following accounting day.
3. The Procedural Regulation determines both the reservation particulars and method.

Article 82

Extension of Reserved Loan

1. The borrower has the right to ask the Central Depository for the prolongation of a reserved loan.



2. The prolongation of a reserved loan shall mean the extension of the day identified in the reservation as the loan return day.
3. The Central Depository shall have the right to reject a borrower's request for prolongation if the due and timely withdrawal of the lender's dematerialised securities is threatened or if the loaning of dematerialised securities is suspended. The borrower shall be informed about the rejection of prolongation without delay.
4. The prolongation of a reserved loan shall not impact the limitation of the loan's entire duration term. A reserved loan may be also prolonged repeatedly.
5. The Procedural Regulation shall determine conditions and requirements for a reserved loan prolongation request.

Article 83

Early Reserved Loan Termination

1. The Central Depository shall be authorised to terminate a reserved loan early in the case of a threat to a due and timely withdrawal of the lender's dematerialised securities, provided that the purpose cannot be met otherwise.
2. Early termination of a reserved loan must be approved by the Central Depository's Chief Executive Officer.
3. The Procedural Regulation shall determine conditions and requirements for the early termination of a reserved loan.

Article 84

Loan Duration

1. The loan duration term shall start on the day the dematerialised securities that are the subject of the loan are written off from the account on which these have been earmarked (loan provision date) and shall end on the day these are posted back to this account.
2. The loan duration term shall also end the moment the borrower, in accordance with the Procedural Regulation, is in default either with the loan return or collateral amount adjustment.
3. The Procedural Regulation shall determine the maximum allowable loan duration term.
4. For the time in which the right of the owner to handle the dematerialised securities is suspended, the loan duration term shall be deferred.

Article 85

Collateral

1. Collateral shall represent a set amount of the borrower's monetary assets as a guarantee to cover the dematerialised securities to be borrowed.
2. In accordance with Article 22, collateral shall be deposited in a special, interest-bearing account maintained by the Central Depository at a selected financial institution (hereinafter the "**collateral account**").
3. The collateral amount shall consist of the value of the loaned dematerialised securities plus a set extra amount. The value of the extra amount shall be determined by the Central Depository CEO, whose decision in this matter is published in the Newsletter. The Procedural Regulation shall provide for both the method of calculation and adjustment of the collateral.
4. During the loan duration term, the Central Depository shall perform daily computations of collateral amounts and shall pass instructions for the settlement of crediting or debiting the account of the borrower's clearing bank in CERTIS.



5. If the borrower does not have sufficient cash for collateral on the day the loan is granted, the Central Depository shall not provide the loan.
6. Interest on collateral shall be paid by the Central Depository to the borrower on a monthly basis in accordance with the Procedural Regulation.

Article 86

Fee for Loaning of Dematerialised Securities

1. The borrower shall be obliged to pay the Central Depository a fee for the borrowing of dematerialised securities for the duration of the loan term.
2. The amount and maturity of a dematerialised securities borrowing fee are set in the Price List.
3. In the case the borrower is in default with the payment of a dematerialised securities borrowing fee, it shall lose the right for procurement of an additional loan until the outstanding amount of the dematerialised securities borrowing fee, increased by interest on the late payment, is paid in the amount set in the Price List.

Article 87

Lender's Compensation

1. The lender is entitled to a dematerialised securities borrowing fee from the Central Depository for the duration of both the loan term and alternative performance.
2. The amount and maturity of the lender's fee are set in the Price List.

Article 88

Returning a Loan

1. The borrower shall either be obliged to return the borrowed dematerialised securities on the day that is set in accordance with the Dematerialised Securities Loaning Schedule or on the day stated under the respective reservation as the loan return date.
2. The borrower's obligation to return borrowed dematerialised securities shall be deemed met the moment the dematerialised securities are credited to the account in which these were earmarked against the debiting of these dematerialised securities from the account specified by the borrower. The Procedural Regulation may define additional cases a loan is deemed as returned.
3. Once the obligation referred to in paragraph (2) hereof is met, the borrower has the right to the collateral in the amount deposited by the borrower in its collateral account, and this amount shall be transferred by the Central Depository to the borrower on the same day.
4. The Procedural Regulation defines both the procedure and requirements for the return of borrowed dematerialised securities.

Article 89

Borrower's Default

1. If the borrower is delayed in returning borrowed dematerialised securities or with a collateral adjustment, the borrower shall:
 - a) be obliged to pay a penalty;
 - b) Lose its entitlement to return the borrowed dematerialised securities;
 - c) lose its entitlement to the return of collateral;
 - d) Lose its right for the procurement of an additional loan until alternate performance is completed.



2. In justified cases, Central Depository CEO is authorised to decide and approve the prolongation of the period during which the borrower referred to in paragraph 1 (d) hereof, shall lose the right for the procurement of an additional loan.
3. In the event that the situation referred to in paragraph 1 hereof occurs, the Central Depository shall be obliged to proceed in compliance with the Procedural Regulation in instruction to procure for the lender dematerialised securities to replace those not returned. If the dematerialised securities cannot be procured for the lender in this way, the Central Depository shall be obliged to provide financial compensation to the lender in accordance with the Procedural Regulation (alternative delivery).
4. A borrower facing a delay shall be obliged to pay compensation for any loss suffered by the lender or the Central Depository, provided that the amount of this loss exceeds the aggregate sum of both the borrower's collateral plus the assessed penalty.

Article 90

Penalty fee

1. In the case the borrower referred to in Article 89 (1) hereof is in delay, the borrower shall be obliged to pay the Central Depository the penalty fee.
2. The penalty is a one-off payment, the amount and maturity of which are set in the Procedural Regulation.

Article 91

Loaning Limits

1. The Central Depository is obliged to assure that all of the limits set for the loaning system are properly observed, especially the limit set as the maximum allowable volume for dematerialised securities of one single issue earmarked for loaning (per issue limit) and the limit set as the maximum allowable volume for dematerialised securities borrowed by a single borrower (per loan aggregate limit).
2. The limits are set by the decision of Central Depository CEO and are simultaneously published in the Newsletter.
3. The method to be used for the determination of the limits and their amounts, as well as the imposition of any other restrictions applicable to the loaning system, is specified in the Procedural Regulation.

Article 92

Inception of Participation in the Loaning System

1. Central Depository participants, or other legal or physical subjects pursuant to Article 63 (2) hereof, may become participants in the loaning system on the basis of the relevant application.
2. The Central Depository CEO shall decide on the admission to the loaning system within 30 days of receipt of the application. Participation in the loaning system shall be created for an indefinite period.
3. A lender's participation in the loaning system shall be effective on the day the Earmarking Agreement is made pursuant to Article 64, preceded by the relevant decision on the lender's admission.
4. The borrower's participation in the loaning system shall be established on the day of the inception of the participation in the Central Depository's Settlement System.
5. The Procedural Regulation shall provide for the particulars of the application referred to in paragraph 1 hereof, as well as other conditions of the participation and the manner of deciding on the admission.



Article 93

Termination of Borrower's Participation in the Loaning System

1. The Central Depository CEO is entitled to decide on the borrower's exclusion from the loaning system if:
 - a) The borrower has violated its obligations, repeatedly or in a flagrant manner;
 - b) The borrower has misused its position in conflict with the loaning system's purpose or has threatened the security of other participants in the loaning system.
2. Based on the facts referred to in paragraph 1 hereof, the CEO of the Central Depository shall be authorised to decide, with immediate effectiveness, on the suspension of a borrower's participation in the loaning system until the adoption of a decision on exclusion or another decision. The decision made by Central Depository CEO on the suspension of participation in the loaning system shall be communicated to the respective borrower without undue delay.
3. A written decision on exclusion from the loaning system shall be delivered to the concerned borrower without undue delay, stating the justified reason for this measure. This decision shall enter into effect on the day stated therein.
4. The termination of the borrower's participation in the loaning system shall be without prejudice to its existing rights and obligations created in connection with its loaning. These rights and obligations must be settled in accordance with the Rules.

Article 94

Termination of Lender's Participation in the Loaning System

1. The Central Depository CEO is entitled to decide on the lender's exclusion from the loaning system if:
 - a) The lender has failed to meet the conditions and requirements set for participation in the loaning system;
 - b) The lender has repeatedly or significantly violated its obligations arising from these Rules, the Earmarking Agreement or the agreement concluded pursuant to the second sentence of Article 63 (2);
 - c) The lender's rights to dispose of the dematerialised securities earmarked for the loaning system have been suspended, or the rights of a third person have been registered in that connection, and these do not comply with this regulation.
2. A written decision on exclusion from the loaning system shall be delivered to the concerned lender without undue delay and must state the proper reasoning.
3. The lender shall have the right to terminate its participation in the loaning system by means of a written statement addressed to the CEO of the Central Depository; no reasoning is required. The lender's participation in the loaning system may also be terminated as of the date of the withdrawal of the earmarked dematerialised securities. The lender's participation in the loaning system will also be terminated on the same day on which the latest Earmarking Agreement has ended.
4. From the moment of either the decision on the lender's exclusion or the delivery of its notice to withdraw from the loaning system, the Central Depository is obliged to take all the steps necessary for the proper and timely withdrawal of its dematerialised securities.
5. The termination of the lender's participation in the loaning system shall be without prejudice to its existing rights and obligations created in connection with its loaning. These rights and obligations must be settled in accordance with the Rules.



Article 95

The Central Depository's responsibility and obligations with respect to the loaning system

1. The Central Depository shall be obliged to compensate other participants in the loaning system for any damage incurred to them due to the violation of its obligations specified under these Rules.
2. The Central Depository is not liable for damage incurred due to a violation of its obligations if this violation resulted from circumstances excluding its liability.

Article 96

Loaning System Protection

1. The CEO of the Central Depository is authorised to temporarily suspend the procurement of loans in the case participants in the loaning system face the threat of a great economic loss. This decision shall be published in the Newsletter within 3 days.
2. Those existing rights and obligations created for participants in the loaning system in connection with loaning shall remain unaffected by the action referred to in paragraph 1 of this Article and shall have to be settled in accordance with the Rules and the Procedural Regulation.

Article 97

Authorisation

The Central Depository is empowered to issue an implementing regulation to the Rules and also a binding interpretation of the Rules, which is published in the Newsletter.

CHAPTER V ACM SYSTEM

Article 98

Participation in the ACM System

1. The Central Depository provides the Participants with a possibility to participate in the financial collateral management system (hereinafter the “**ACM System**”, i.e. automated collateral management) established under an agreement between the Central Depository and the Czech National Bank. The Central Depository shall announce the effective date of this agreement, the date of the start of operation of the ACM System and its eventual termination in the Newsletter. If the agreement is not effective, this Chapter of the Rules shall not apply.
2. The ACM Systems means a regulation of rights and obligations of the Czech National Bank, Central Depository and participants of the ACM System in the provision of intraday credits by the Czech National Bank (hereinafter the “**intraday credit**”) to the participants of the ACM System and in securing the credits by a financial collateral, which may be only dematerialised securities meeting the requirements provided in Art. 99 (hereinafter the “**ACM Collateral**”).
3. The participant of the ACM System (hereinafter the “**ACM Participant**”) may be a Participant of the Settlement System or another person with whom the Czech National Bank has concluded a special agreement entitled the “Framework Agreement on the Provision of Intraday Credits” as of the effective day of these Rules and which the Czech National Bank has notified to the Central Depository.
4. Any person other than a Participant of the Settlement System may become the ACM Participant after concluding an agreement with the Czech National Bank according to the preceding paragraph and a special agreement on the participation in ACM concluded with the Central Depository. The conclusion of an agreement with the Central Depository is subject to the compliance with the ACM System rules and opening an Asset Account in the Central Register



through a CSD Prague Participant to which instructions for ACM purposes may be put directly by the ACM Participant or the Participant of the Central Depository managing the Asset Account under an agreement with this Participant. It is not possible to enter instructions for ACM purposes to another Asset Account.

5. There is not legal title to the participation in the ACM System and the participation may be terminated or suspended at any time. The ACM Participant's participation in the ACM System does not oblige the Czech National Bank to provide an intraday credit to this Participant.
6. The Central Depository shall assign a three-digit ACM Participant code to the ACM Participant unless the ACM Participant has already been assigned with an PRN of the Central Depository. Each code shall have an account in CERTIS.
7. ACM Participants that are participants of the Settlement System use standard forms of data communication to submit instructions to the Central Depository. Other ACM Participants communicate with the Central Depository through a participant of the Settlement System.

Article 99

Eligible ACM Collateral

1. The eligible ACM Collateral includes only dematerialised securities that are recorded in the Central Register, identified by the Czech National Bank as eligible financial collateral, fungible, not burdened with third-party rights, owned by the Account Owner that is entitled to dispose of them freely.
2. The Central Depository shall provide ACM Participants with data on the eligible ACM Collateral determined by the Czech National Bank, including the scope in which it can provide an intraday credit (haircut). The available data shall always be effective as of the following date and are valid until further changes are made available. The ACM Participant shall receive information based on a query submitted to the Central Depository through a special technical service.

Article 100

Setting Up Security

1. The regulation of the procedure of setting up security in the ACM System is a special regulation to the general regulation of setting up financial security governed by these Rules or the Central Depository's Operating Manual.
2. The ACM Participant shall apply for an intraday credit or an intraday credit increase through an instruction to execute an ACM transaction. An ACM transaction is the registration of the right of lien to dematerialised securities that are eligible to be financial collateral within the meaning of Act No. 408/2010 Sb., on financial collateral, as amended, in the Central Register and the subsequent transfer of an amount corresponding to the intraday credit or part thereof provided within this ACM transaction. The instruction to execute an ACM transaction shall contain in particular:
 - a) The number of the Asset Account on which the eligible ACM Collateral is registered;
 - b) ISIN of the ACM Collateral;
 - c) The number of dematerialised securities to be provided as the ACM Collateral or a monetary amount of the required intraday credit;
 - d) A request to provide or not to provide an automatic refund of the intraday credit or part thereof (individual ACM transactions).
3. The instruction referred to in the previous paragraph may contain only the ACM Collateral of the same ISIN, but it is possible to submit multiple instructions. The intraday credit provided by the Czech National Bank consists of a sum of cash amounts provided to the Participant within all ACM transactions closed on the same day.



4. The Central Depository shall check the accuracy of the data provided in the instruction and calculate the amount that can be provided as an intraday credit against a pledge based on a pre-defined algorithm (the decimal haircut determined by the Czech National Bank multiplied by the market price of the dematerialised security from the previous days and the number of dematerialised securities). If the ACM Participant defined the amount of the required intraday credit, the Central Depository shall calculate the required number of dematerialised securities to be pledged by analogy to the above algorithm. The Central Depository shall publish the method of determining the market price in the Newsletter.
5. After receiving an instruction to execute an ACM transaction, the Central Depository shall verify that the eligible ACM Collateral specified in the instruction is on the owner's account of the ACM Participant and, if so, register the related right of lien. The Central Depository shall subsequently put an instruction to CERTIS to transfer the amount of the provided intraday credit to the debit of the Czech National Bank's money account and to the benefit of the ACM Participant's money account.
6. The Central Depository shall put instructions to CERTIS in short cycles with a defined payment time limit that is published in advance in the Newsletter. The Central Depository shall inform the ACM Participant and the Czech National Bank about the payment or non-payment, indicating the ACM transaction identifier.
7. The ACM Participant is not entitled to submit an instruction to cancel the right of lien to the ACM Collateral or to otherwise dispose of the collateral prior to repaying the intraday credit. By submitting an instruction to execute an ACM transaction, the ACM Participant gives the Central Depository an instruction to register the PPN pursuant to Art. 97 (1) (e) of the Capital Market Trading Act to the ACM Collateral.
8. The time schedule of the day of provision of the intraday credit is regulated in Annex 8 of these Rules (hereinafter the "**time schedule**").

Article 101

Cancelling Security

1. Within the time schedule, the ACM Participant may submit an instruction to repay or reduce the intraday credit through an instruction to refund the ACM transaction. The instruction shall always indicate the ACM transaction identifier assigned by the Central Depository. Partial repayment of the ACM transaction is not possible.
2. Based on the instruction to refund the ACM transaction, the Central Depository shall put an instruction to CERTIS to transfer funds from the ACM Participant's money account to the benefit of the Czech National Bank's money account and, upon confirmation of the payment, remove the registration of the right of lien to the ACM Collateral in the scope of the ACM transaction refund and cancel the PPN registered pursuant to Article 100 (7). The Central Depository shall put instructions to CERTIS in short cycles with a defined payment time limit that is published in advance in the Newsletter.
3. At the end of the date specified in the time schedule, the Central Depository shall submit an instruction to refund an amount corresponding to the intraday credit for those ACM transactions for which an automatic refund has been requested. Upon confirmation of the payments, the Central Depository shall cancel the PPN registered pursuant to Article 100 (7) and the registration of the right of lien to the ACM Collateral in the scope of the ACM transaction refund.
4. If the intraday credit is not fully refunded at the end of the day specified in the time schedule, the Framework Agreement on the Provision of Intraday Credits concluded between the Czech National Bank and the ACM Participant shall be followed. Both ACM Participants and the Czech National Bank thus give the Central Depository an instruction to cancel the PPN registered under Article 100 (7) of these Rules, record the termination of the right of lien to the ACM Collateral registered under Article 100 (5) of these Rules, and simultaneously register the



transfer of the relevant number of dematerialised securities, the value of which corresponds to the outstanding part of the intraday credit, to the Czech National Bank's Asset Account (the repo settlement type).

5. In accordance with the Framework Agreement on the Provision of Intraday Credits, the Czech National Bank and ACM Participants agree that the Central Depository shall generate a DVP instruction to settle the reverse transfer of dematerialised securities transferred under paragraph 4 and the counter transfer of an amount consisting of the amount of the repaid credit and the interest for an extension of the credit corresponding to the Czech National Bank's lombard rate. The transfer shall be included in settlement at the moment when the Czech National Bank confirm the transfer by adding its Asset Account to the settlement instruction. Upon the confirmation, the transfer shall be included in standard settlement cycles and an attempt shall be made to settle the transfer of dematerialised securities against the calculated amount. This amount shall be included in daily financial limits for the settlement of transfers in the settlement system. If the transfer is not executed, it is suspended.

Article 102

Fees

Fees for participation in the ACM System and other services are regulated by the Price List.

CHAPTER VI SETTLEMENT OF PUBLIC OFFERING OF SHARES SUBMITTED THROUGH THE START-VEŘEJNÁ NABÍDKA

Article 103

Settlement of Public Offering

1. The Exchange operates the START – Veřejná nabídka electronic system (hereinafter the "START System") and leases the system to issuers for the public offering of shares. The public offering may be an issuer's offer of primary share subscription (hereinafter the "subscriptions") or offers of shareholder(s) to sale shares (hereinafter the "sale"). Subscriptions and sales are exchange trades and are not covered by the guarantees of the CSD Clearing Fund.
2. The issuer, or the issuer representing existing shareholders, and participants representing the transferee authorise the Exchange, in accordance with the START System rules, to register an instruction for the primary issue of subscribed shares in the Central Register of securities or to register instructions to settle sales and insert corresponding instructions into the matching system.
3. Subscriptions are settled in the DFP form with the WFO settlement type.
4. The participant on the subscriber's side shall provide financial collateral to secure the payment of the subscription price (hereinafter the "**collateral**"). The participant shall provide cash collateral in the amount corresponding to the total price of the subscriptions settled by the participant. The collateral shall be provided to the issuer's benefit to the Central Depository's account with the Czech National Bank and transferred to the issuer's benefit to pay the subscription price on the day on which the shares are credited to the accounts.
5. The participant shall provide the collateral in accordance with the subscription price information contained in the Statement of Preliminary Payment Information so that the participant's account with a clearing bank in CERTIS is debited on the T+2 day to the benefit of the Central Depository at the Central Depository's request.
6. The Central Depository shall confirm the composition of the collateral to the Exchange which ensures the execution of a list of subscribers for the issuer. The Exchange's submission of the list of subscribers to the Central Depository, with a certificate of the registered capital increase registration by a direct registration in the Commercial Register made by a notary, shall replace



the issuer's instruction for the primary issue settlement under Article 32 of the Operating Manual.

7. In the first settlement cycle, the primary issue settlement of subscribed shares occurs on the day of crediting in the DFP form from the issue account to the subscribers provided in the list of subscribers.
8. If the collateral is not paid, the settlement of the subscription shall be suspended and an additional period for the collateral payment may be determined. The additional period shall be determined by the Central Depository based on the Exchange's request, however, it cannot exceed 7 accounting days. If no additional period is determined or the collateral is not paid within the additional period, the subscription is cancelled.
9. In the event of settlement failure due to reasons accountable to the subscribers' participants, the shares that are the subject of the subscription shall be transferred to the issuer's technical account.
10. Sales are registered by the Exchange based on an authorisation and are settled in accordance with Chapter II of these Rules.
11. In the case of a public offering of shares of a company incorporated under foreign law, the Central Depository shall proceed accordingly in accordance with this Article, provided that any deviations shall be published in the Bulletin and communicated to the issuer.

PART TRANSITIONAL AND FINAL PROVISIONS

Article 104

Procedure for solving errors

1. The Central Depository shall correct an error in the settlement based on an objection from an authorised person, based on the decision of a court or another authority, on its own initiative or pursuant to a correction in the register of investment instruments maintained by another person, if the Central Depository is requested by this subject to make the correction and accepts the request as justifiable.
2. If the Central Depository learns that the participant caused an error by its own actions and this participant:
 - a) confirms its error, both parties cooperate to quickly rectify the problem,
 - b) does not confirm its error, the dispute is solved under the rules stipulated in Article 108.
3. The persons involved in the settlement shall cooperate with the Central Depository in instruction to remedy the settlement error. The Central Depository will inform the parties involved of the occurrence of the settlement error, with an explanation of the reasons behind the error and how the error has been/will be remedied.
4. The Central Depository shall keep records of corrected errors.

Article 105

Breach of duties

Participants who have breached their duties connected with the settlement are obliged to pay to the Central Depository the charges for the breach of the respective duties in accordance with the Central Depository Price List.



Article 106

Liability

1. The Central Depository is not liable for potential damage incurred by participants or the third parties as the consequence of the breach of these rules by another participant.
2. The Central Depository is not obliged to ensure the continuous operation of its services. In the event of a malfunction or non-functioning of the service, the CSD undertakes to arrange a remedy without undue delay.
3. The CSD shall be exempt from liability for damage caused by the fact that it is temporarily or permanently prevented from fulfilling its contractual obligations by an extraordinary, unforeseeable and insurmountable obstacle beyond its control. Such an obstacle includes, in particular, epidemics, armed conflicts, natural disasters, embargoes, strikes, cyber-attacks, failure of the internet connection service of external providers, etc. The Central Depository undertakes to inform the recipients of the services on its website without undue delay of obstacles that prevent it from providing the services, unless the nature of the obstacle makes this impossible. In such cases, the CSD shall act in such a way as to minimise the extent of the damage and shall endeavour to avoid or overcome the consequences of such an event.
4. As part of its preventive actions within the meaning of Section 2900 of the Civil Code, the CSD protects its IT systems against disruption by hackers by technical means and procedures such as firewall protection of network access, continuous monitoring, detection and blocking of unwanted activities, continuous improvement of resistance against known threats, regular data backups even to a physically separate location, as well as physical and organisational security of servers. However, it cannot completely rule out an attack and warns the recipient of the services of this risk (§ 2896, second sentence, Civil Code).

Article 107

Notification obligation

1. The Central Depository is obliged in accordance with the law to notify the Czech National Bank without undue delay of every change in the composition of participants in the settlement system or change in the data on the participant of the Settlement System¹⁵.
2. The participant shall notify the Central Depository, without undue delay, of each change in these data.
3. Upon request, the participant shall inform all the parties that prove their legitimate interest in the settlement system of the Central Depository of these Rules.

Article 108

Dispute solving

Mutual disputes between the participants and disputes with the Central Depository relating to the settlement of trades involving dematerialised securities shall be decided by the Exchange Court of Arbitration in accordance with the applicable regulations¹⁶, if the parties thus agree in the arbitration agreement entered into according to the corresponding law¹⁷. Otherwise, these disputes shall be decided by the competent court.

Article 109

Changes of settlement rules, effectiveness and publishing

1. All changes of the Rules shall be ruled on by the Board of Directors of the Central Depository.

¹⁵ Art. 90c (1) of the Act

¹⁶ Rules of the Exchange Court of Arbitration, or Status of the Exchange Court of Arbitration

¹⁷ Act No. 216/1994 Sb., on arbitral proceedings and on enforcement of arbitral awards, as amended.



2. Changes in the rules shall become effective upon the publication thereof, unless the Central Depository sets a later effective date. Change to the rules cannot be published until approved by the Czech National Bank.
3. An up-to-date version of these rules is also published on the Central Depository's website at www.cdcp.cz.
4. The current wording of the Rules of Settlement System is available for viewing in the registered office of the Central Depository at Rybná 14, Prague 1, in the company's central office between 9am and 4pm.

Article 110

Effectiveness of Settlement System Rules

1. These Rules were approved by the Board of Directors of the Central Depository on 20 May 2024. This version of the Rules shall become effective as of 8 July 2024.



ANNEX 1 – TIME SCHEDULE OF TRADE SETTLEMENT

Order	Accounting settlement day	Expected Time	Activities of the Central Depository	Participants' activities
Process description within one accounting day S				
1	S	18:00	Opening of pairing system and acceptance of modification instructions in new accounting day S	
2	S	from 18: to 20:00	Acceptance of instructions, modification services and other CSD services	Entering instructions, entering instructions for T+0 (first cycle), modification of transfers and setting of financial limits
3		18:15	Creation of the file of preliminary information on payments	Receipt of Statement of Preliminary Payment Information
4		from 7:00 to 8:00	Selection of transfers and their settlement in the first settlement cycle (repeated several times until no transfer can be selected) Creation of the Statement of Transfers from the first settlement cycle	Settlement on grounds of set monetary limits
5		from 8:00 to 17:00	CSD system is fully available	
6		Settlement Cycles DVP: 8:00 9:00 10:00 11:00 12:00 13:00 15:30	Selection of transfers for individual settlement cycles, multi-cycle settlement, sending payment instructions to payment systems, creation of statements for DVP cycle, particularly statement of transfers, statement of payments, statement of net cash positions. cycle 15:30 is only for EUR	Entering instructions, modification of instructions and transfers Receipt of statements for individual settlement cycles Statements are provided in 40 minutes since beginning of settlement cycle



Order	Accounting settlement day	Expected Time	Activities of the Central Depository	Participants' activities
7		until 12:00	Information about fees for non-settlement regarding accounting day S-1, changing records respectively	
8		until 15:15	Solution of alternative settlement from the loaning system	
9		until 15:45	Correction settlement cycle for transfers in EUR currency	Receipt of new statements from settlement
10		from 14:00 to 17:00	Entering DFP instructions with settlement date T+0 and other transfers with latter date ISD	Entering and modification of DFP instructions for T+0 and other transfers
11		17:00	Closing of pairing system and acceptance of modification services	
12		Cyklus DFP v 17:00	Selection of transfers for DFP cycles, multi-cycle settlement and creation of statement of transfers	
13		from 17:00 to 18:00	Execution of operations at the end of accounting day S, creation of statement of transfers at the end of accounting day, statement of balances, change of accounting day to S+1, execution of operations in the beginning of accounting day S+1, creation of statement of transfers in the beginning of accounting day,	Limited access of participants to settlement system, specific services available only
14	S+1	18:00	Opening of pairing system and acceptance of modification services in new accounting day S+1	



The time data in this Settlement Time Schedule is only indicative and the Central Depository is not responsible for their fulfilment in the case of non-standard circumstances.

The Time Schedule does not include the description of additional performance in the case of unreturned loaning, unsettled exchange trades or unpaid contributions to the CSD Clearing Fund. The time sequence in these cases is described in the respective Exchange regulations and in the Central Depository regulations.

Method of Sorting of Instructions for Transfers of Dematerialised Securities

Sequence of transfers:

Transfers of dematerialised securities are sorted according to following parameters:

1. Currency
2. Global priority in order technical netting, primary issues, providing loans, returning loans, transfers for cash penalties and other transfers
3. According to date, when settlement may or might occur, set by Central Depository system, ascendingly, i.e., transfers with the oldest date first
4. Type of operation within the same trade code ascendingly according to ISIN
5. Priority within the same ISIN, according to ultimate transfer number, transfer number.



ANNEX 2 – CANCELLED



ANNEX 3 – CONSENT

Consent

with debiting the payment account of the direct participant in the CERTIS payment system

.....
Trade name and registered office of the direct participant

.....
(hereinafter the “Direct Participant”)

hereby consents to having its payment account, kept at the Czech National Bank in accordance with the agreement on the participation in the CERTIS payment system signed between the Direct Participant and the Czech National Bank and in accordance with Article 7 of the Payment System Rules of CERTIS, debited on the basis of instructions submitted by **Central Securities Depository Prague** to the Czech National Bank, the operator of the CERTIS payment system, for the purpose of clearing payment instructions in accordance with the agreement on the participation in the CERTIS payment system signed between the Czech National Bank and **Central Securities Depository Prague** as a third party with the payment code 9910.

This consent is effective as of

In....., on

.....
Names of the persons authorised to act on behalf of the Direct Participant signatures



ANNEX 4 – STATEMENT OF THE CLEARING BANK

for Central Securities Depository Prague
Rybná 14
110 05 Prague 1

STATEMENT OF THE CLEARING BANK

In compliance with Article 15 (3) of the Settlement System Rules

Bank:

Registered office:
(hereinafter the “**Bank**”)

Represented by:

undertakes

not to change or cancel the Consent to debiting the payment account of the direct participant of the CERTIS payment system dated authorising the Czech National Bank, as the operator of the CERTIS payment system, to perform the clearing of third-party instructions submitted to the CERTIS system by Central Securities Depository Prague to the debit of the bank’s CZK payment account if the bank or the participants for which it mediates settlement of trades in dematerialised securities fail to meet their obligations arising from these trades.

The Bank is liable for damage caused by any unauthorized modification or cancellation of the above consent.

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank’s statutory body
or its authorized representative

For Centrální depozitář cenných papírů, a.s.

Accepted on

.....
CEO’s signature



ANNEX 5 – CLEARING BANK’S STATEMENT ON SETTLEMENT ACCOUNTS

Central Securities Depository Prague
Rybná 14
110 05 Prague 1

STATEMENT OF THE CLEARING BANK

Bank

Registered office:
(hereinafter the “Bank”)

Represented by

agrees

that for the settlement participant

Company

Registered office

an account or accounts are maintained to which Central Securities Depository Prague will make payments to the debit of the payment account of the “bank” resulting from the settlement of trades in dematerialised securities through the CERTIS payment system operated by the Czech National Bank, including the availability of the loaning system and the availability of the Clearing Fund intended to cover individual trade types in accordance with the Settlement System Rules.

Account number(s)

.....

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank’s statutory body
or its authorized representative

For Centrální depozitář cenných papírů, a.s.

Accepted on

.....
CEO’s signature



ANNEX 6 – CONFIRMATION OF CONCLUSION OF THE SETTLEMENT AGREEMENT (GCM)

for Central Securities Depository Prague
Rybná 14
110 05 Prague 1

Confirmation of the Conclusion of the Agreement on the Provision of Trade Settlement between a Clearing Participant and a Non-Clearing Participant

We hereby confirm that on, we concluded the Settlement Agreement as anticipated in Articles 32 and 33 of the Settlement System Rules.

.....
Name and registered office of the Clearing Participant

.....
Name and registered office of the Non-clearing Participant

On the basis of the concluded Agreement, the Clearing Participant confirms that it fully agrees with the provision of settlement of trades concluded by the above Non-Clearing Participant and with the provision of contributions to the CSD Clearing Fund.

.....
Place, Date
persons

.....
Signature of Clearing Participant's authorised

.....
Place, Date

.....
Signature of trading member's authorised persons



ANNEX 7 – CONFIRMATION OF THE CONCLUSION OF THE AGREEMENT ON THE PROVISION OF CLEARING AGENT’S SERVICES

for Central Securities Depository Prague
Rybná 14
110 05 Prague 1

Confirmation of the Conclusion of the Agreement on the Provision of Clearing Agent’s Services Concluded between the Clearing Agent and the Clearing Participant

We hereby confirm that on, we concluded the Agreement on the Provision of Clearing Agent’s Services as anticipated in Article 34 of the Settlement System Rules.

.....
Name and registered office of the Clearing Agent

.....
Name and registered office of the Clearing Participant

On the basis of the concluded Agreement, the Clearing Agent confirms that it fully agrees with the provision of settlement of trades concluded by the above Clearing Participant and with the provision of contributions to the CSD Clearing Fund.

.....
Place, Date

.....
Signature of Clearing Agent’s authorised persons

.....
Place, Date
persons

.....
Signature of Clearing Participant’s authorised persons



ANNEX 8 – TIME SCHEDULE OF THE DAY OF PROVIDING AN INTRADAY CREDIT

Time	Process	Executed by
from 8:00 to 15:15	Opening of the ACM System and ACM Participants' possibility to apply for an intraday credit (if an intraday credit is provided, registration of the right of lien and transfer of funds)	CSD Prague
from 8:00 to 15:15	Possibility to send a refund request	ACM Participant
after 15:15	An instruction to transfer funds from the ACM Participant's account to the Czech National Bank's account for transactions with an auto-refund request by 16:00	CSD Prague
from 17:00 to 18:00	Rights of lien to securities of ACM Participants are cancelled based on a payment confirmation. In the event of non-payment of the credit or part thereof, an adequate part of the financial collateral will be transferred to the Czech National Bank's account and an overnight repo will be created. This occurs within the agreed follow-up lombard repo under the Framework Agreement on the Provision of Intraday Credits.	CSD Prague
Z+1	Settlement of reverse transfers within standard settlement cycles DVP for CZK	CSD Prague

* Z – the day of provision of the intraday credit



ANNEX 9 – STATEMENT OF THE CLEARING BANK FOR SETTLEMENT IN T2

for Central Securities Depository Prague
Rybná 14
110 05 Prague 1

STATEMENT OF THE CLEARING BANK

In compliance with Article 15 (3) of the Settlement System Rules

Bank:

Registered office:
(hereinafter the “**Bank**”)

Represented by:

undertakes

not to change or cancel the Consent to debiting the account in T2 dated if the bank or the participants for which it mediates settlement of trades in dematerialised securities fail to meet their obligations arising from these trades.

The Bank is liable for damage caused by any unauthorized modification or cancellation of the above consent.

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank’s statutory body
or its authorized representative

For Centrální depozitář cenných papírů, a.s.

Accepted on

.....
CEO’s signature



ANNEX 10 – STATEMENT OF CLEARING BANK PROVIDING SETTLEMENT IN T2 FOR OTHER PARTICIPANT

Central Securities Depository Prague
Rybná 14
110 05 Prague 1

STATEMENT OF THE CLEARING BANK

Bank

Registered office:
(hereinafter the “Bank”)

Represented by

agrees

that for the settlement participant

Company

Registered office

enables payments to the debit or credit of the account of the Bank in the payment system T2, resulting from settlement of participant's trades with dematerialised securities in EUR currency, in accordance with the Settlement System Rules.

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank's statutory body
or its authorized representative

For Centrální depozitář cenných papírů, a.s.

Accepted on

.....
CEO's signature

|



ANNEX 11 – STATEMENT OF THE ACCOUNT OWNER IN T2 IN FAVOR OF CLEARING BANK

Central Securities Depository Prague
Rybná 14
110 05 Prague 1

Bank

Registered office:
(hereinafter the “Bank”)

Represented by

agrees

that for the clearing bank that is part of a bank holding group

Bank (name and participant code)

.....

with registered office (hereinafter referred to as the "clearing bank")

.....

shall allow payments to be made on the Bank's account within the T2 payment system arising from the settlement of trades of the Clearing Bank's clients in book-entry securities in EUR in accordance with the Settlement System Rules.

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank's statutory body
or its authorized representative

For Centrální depozitář cenných papírů, a.s.

Accepted on

.....
CEO's signature